

JULY 1976

Nation's Business

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FOR AMERICA'S
THIRD CENTURY**

BY JAMES J. KILPATRICK

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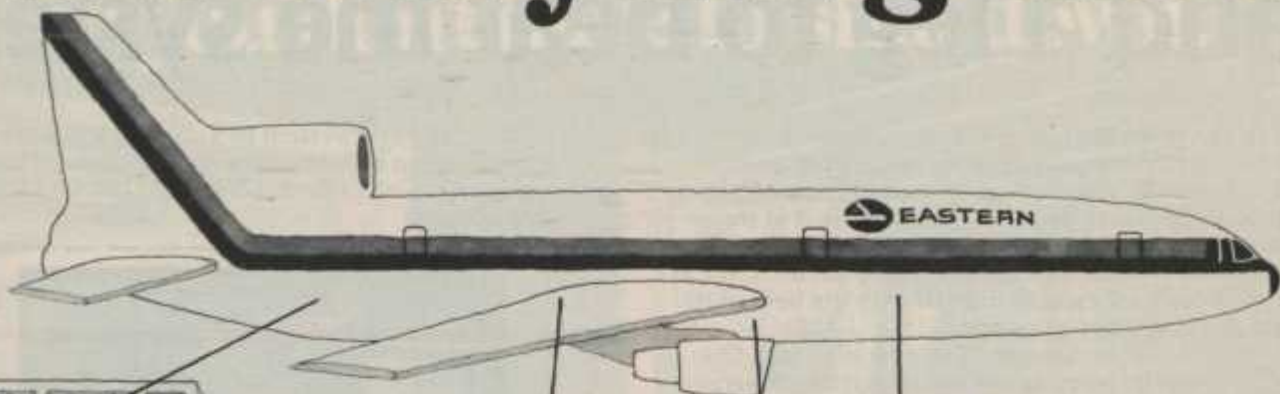
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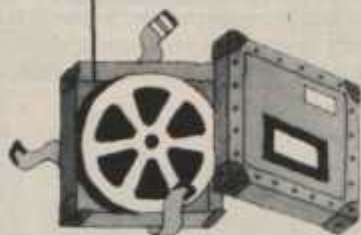
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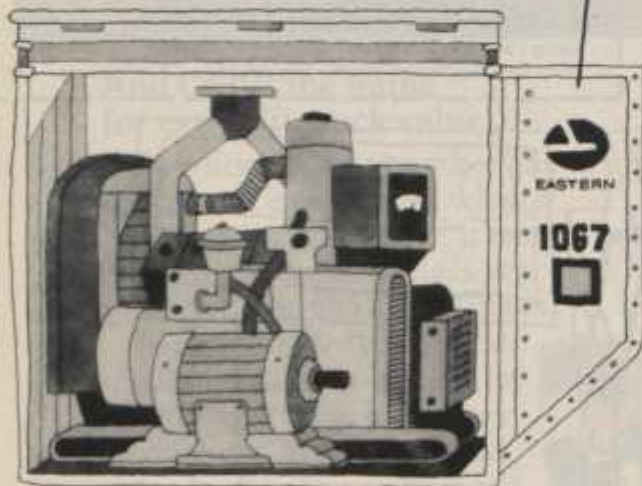
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Nation's Business

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A lower interest rate looks good on paper. But if you borrow money strictly on the basis of payment size or the apparent rate, you could end up paying through the nose. Our account executives can help you spot these luring predators yourself.



Non-Refundable Commitment Fees, Audit Fees, Compensating Balances, Full-Term Interest vs. Daily Interest and Floaters. Cheer up, you won't find these or any other hidden costs with any Commercial Credit business loan.

* Overall loan volume of U.S. Commercial Finance Companies:	
1940	\$530 Million
1950	10 Billion
1960	14 Billion
1974	33 Billion

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How to Develop Profitable New Products

Ideas alone aren't enough.

That's the experience of 3M Co., a firm with a bright reputation for coming up with new products.

"By new," says Dr. Robert M. Adams, vice president-research and development, "we mean something that produces new sources of sales and profits from presently untapped markets."

Success in this area, he adds, depends on three essentials:

- The proper corporate climate.
- A good organizational approach.
- People.

"Ventures promising the greatest reward are normally the ones that entail the greatest risk," Dr. Adams notes. Management must recognize

this fact of life, he adds, to have the right climate for trailbreaking.

"Secondly," he says, "new-venture development activities have the greatest chance for success when organized as an independent corporate function." Then, he explains, such ventures can be brought directly under the supervision of top corporate executives.

Finally, in 3M's experience, the best development team will include both technical and marketing people—with an entrepreneur in command.

"A vital ingredient in business success is excitement," says Dr. Adams. "If we add dedication to that, we have a nearly complete description of the ideal new-venture manager or entrepreneur."

Why are both qualities necessary for such a trailbreaker?

"Excitement will help him sell his ideas," says Dr. Adams.

"Dedication will keep him at the task during the inevitable setbacks."

Can Family-Owned Firms Survive?

Private firms aren't small potatoes. "Together, they account for about one quarter of all jobs and profits," says CCMP Management Consultants, Inc.

For an executive, the family-owned firm has some clear-cut advantages, the consulting firm finds.

"What differentiates the private company experience from the public one," it says, "is the intimate sense of being part of a unified family."

"And the family is rarely unappreciative. Compensation for the key people is said to be generous, every effort is made to promote from within, and no 'family retainer' goes unrewarded for loyal service."

"Consequently, tenure in family companies tends to be much longer than in public corporations; executives learn to relax with one another and express themselves freely without fear of censure."

But there are risks as well as rewards.

One is when the owner retires or dies.

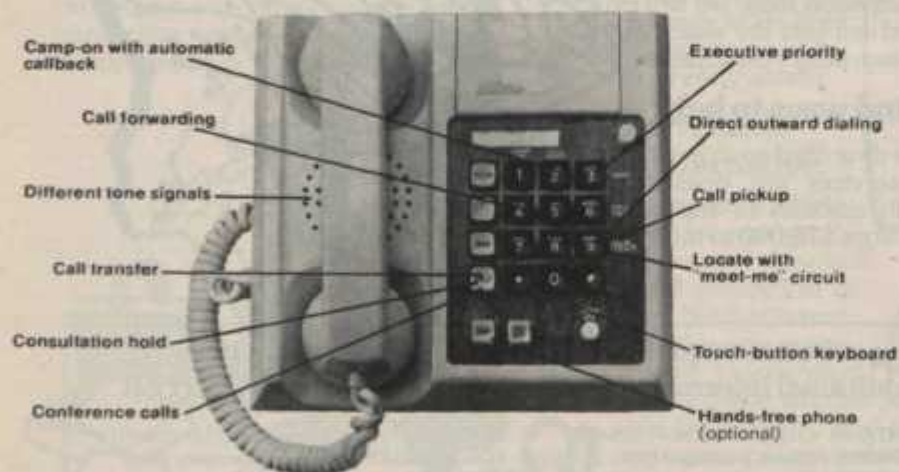
His heir may or may not be competent. And even when he or she is competent, inheritance taxes may force the sale of the firm.

Only the first \$60,000 of an estate escapes the federal tax collector. That ceiling was set in the early 1940's, and a lot of inflation has washed over us since then.

Some congressmen and the White House want to raise the ceiling.

Both Rep. William A. Steiger (R-Wis.) and Omar Burleson (D-Texas) have introduced bills to jack it up to \$200,000. President Ford suggests a \$150,000 ceiling.

Chairman Al Ullman (D-Oregon)



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of the House Ways and Means Committee also favors raising the ceiling—but by use of a tax credit, rather than a straight exemption.

He also wants to make up, through other taxation, for all or some of any lost revenue.

His committee, which has the say-so on taxes unless overruled by the House, has reported out a bill that reflects the chairman's views.

Getting an SBA Loan

So you'd like to go into business.

And you have this great little location, with a ten-year lease that's a steal.

In addition, you're smart. You have technical know-how, management experience, and willingness to work like a horse.

What you don't have, of course, is money.

Could you get it from the Small Business Administration? Maybe with an SBA-guaranteed loan from a bank?

That's the first thought that occurs to many would-be entrepreneurs. These are the forms you'll need:

First, SBA Form 4 (11-71), "Application for Loan."

Next, a copy of SBA Form 641 (6-74), "Request for Counseling."

Then, you need SBA Form 912 (12-72), "Statement of Personal History."

Also, SBA Form 413 (8-67), "Personal Financial Statement."

And SBA Form 4 Schedule A (8-66), "Summary of Collateral."

Plus SBA Form 159 (10-74), "Compensation Agreement for Services in Connection With Application and Loan From (or in Participation With) Small Business Administration."

Then SBA Form 601 (7-69), "Applicant's Agreement of Compliance," if construction is involved.

True, you can submit substitutes for some of these forms. For example, a copy of your financial statement—if current—may be used, instead of SBA Form 413. But to be on the safe side, submit all.

You can get a lawyer or C. P. A. to help with the paperwork. The fee? Probably more than \$500. If you

do pay that much, you'll have to explain why to SBA—Form 159 (10-74). The agency wants to make sure you weren't ripped off.

To Frank Saulnier, all this sounded like opportunity knocking. The former SBA loan official, now an officer of Gibraltar Financial Management, Los Angeles, wrote a line-by-line, "mistake-proof" guide for filling out applications for SBA-guaranteed bank loans. Price: \$35.

Mr. Saulnier's reward, he says, is more than financial.

"Without help, thousands of people give up in frustration," he says, "and never do file for an SBA loan."

If small businesses fail for lack of capital, he feels, it is a tragedy.

"They account for 65 percent of the nation's jobs and 50 percent of our gross national product," he notes.

Americans Head for Historic Sites

Lots of Americans will be on the move this bicentennial year.

In fact, the U. S. Travel Data Center estimates, 116 million Americans will take vacation trips—one million more, it says, than those who did so last year. That's good news for businesses of many kinds.

Where will these vacationers go?

The U. S. Travel Data Center believes that historic sites will get a big play. Among the cities linked closely with the nation's natal celebration, Washington is expected to get the biggest influx of visitors, 13.2 million, although hotels and motels report no early rush.

New York, the Travel Data Center says, should get 10.9 million. Boston should be close behind with 9.1 million. Then Philadelphia, the cradle of liberty, which can expect 8.8 million visitors.

But none of these cities will be the No. 1 tourist target.

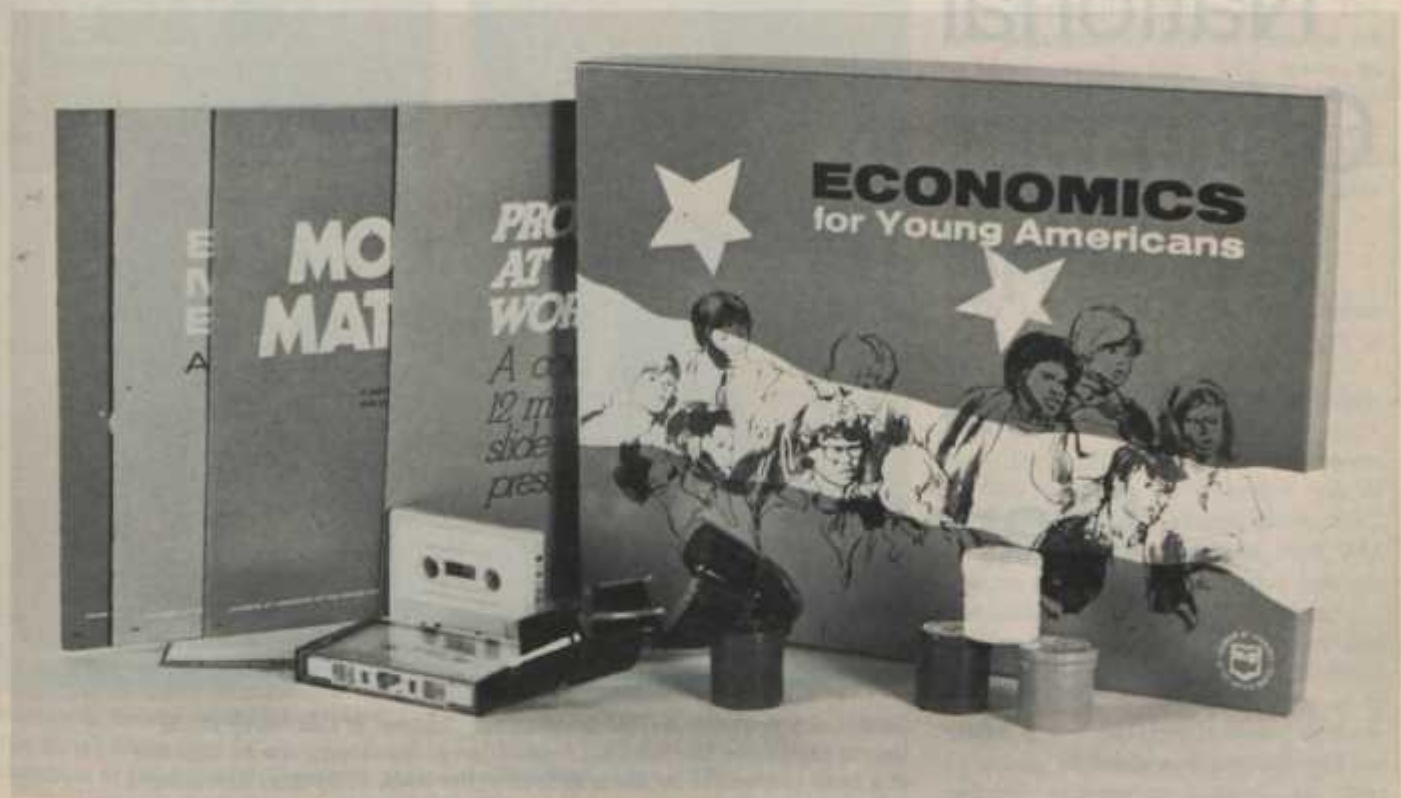
Orlando, Fla., is expected to draw the biggest number of visitors, 15.6 million.

What does the Florida city have to do with the birth of the nation?

Not much, but it's the home of Disney World.

Donald Duck, Dopey, and Mickey Mouse will outdraw any other attractions. □

Economics for Young Americans



the need is now

It is important that today's students receive greater knowledge about basic economics if they are to have a better understanding of business. The Chamber of Commerce of the United States, in cooperation with teachers, has developed a kit which will encourage greater interest in profits, productivity, money, and ecology.

Many companies are contributing to a wider understanding of American business by placing these "Economics for Young Americans" kits in secondary schools. Each kit contains filmstrips, tape recordings, scripts, and special educator-written teacher guides. How have these kits been received? Endorsement from a number of state departments of education. Direct orders from schools. Great interest from teachers and students alike. And comments from the organizations which have placed the kits in school districts of some 30 states with a strong, overall message: "It's a most rewarding project."

Yes, the project is a proven success, but for complete success these kits should be in every school in the United States. The only way this can be done is through the help of organizations like yours. The National Chamber is asking businesses to cover states or districts

where they have operations. Kits are \$35 each for two or more. We'll be glad to give you cost figures for the school area you're interested in covering. Just contact the Director of Promotion, by mailing this coupon, or by calling (202) 659-6183.

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____ YES, I want to improve economic understanding by purchasing ____ (no.) kits to be placed in the secondary schools of ____

____ Check enclosed ____ Bill me

____ Please send me additional background information about "Economics for Young Americans." I particularly am interested in knowing about the schools in ____ area.

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Title _____

Organization _____

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City _____

State _____

Zip _____

National Chamber and NAM Plan Merger



Details of a proposed merger between the Chamber of Commerce of the United States and the National Association of Manufacturers are outlined at a news conference by the president of the NAM, E. Douglas Kenna (left), and Dr. Richard L. Leshner, president of the National Chamber.

A stronger voice for business is the major objective. If approved, the merger will become effective in about six months

THE CHAMBER of Commerce of the United States and the National Association of Manufacturers have announced plans that are expected to lead to a merger of the nation's two biggest business organizations into a single group to represent all commerce and industry.

In a joint news statement, Herbert S. Richey, chairman of the National Chamber, and Richard C. Kautz, chairman of the NAM, said procedures leading to a merger could be completed in about six months. Assuming formal approval by the membership of the two groups, some joint activity could begin almost immediately.

Mr. Richey, president of The Valley Camp Coal Co., Cleveland, is the chief elected officer of the National Chamber. Mr. Kautz, chairman of the Grain Processing Corp., Muscatine, Iowa, is the chief elected officer of the NAM.

A task force composed of directors of both organizations, which has been discussing the merger over the past several weeks, has recommended that Dr. Richard L. Leshner, president of the National Chamber, be named president of the combined organization.

Joint Chairman's Council

The task force has recommended that E. Douglas Kenna, president of the NAM, be chairman of a Joint Chairman's Council to be created to serve during the transition period. The council will be composed of the immediate past chairman, the current chairman, and the chairman-designate of each of the two organizations, the presidents, and no more than two additional designees from each organization.

"Unification of the two organizations would eliminate duplication and provide the overall business com-



Herbert S. Richey, president of The Valley Camp Coal Co., is chairman of the National Chamber.



Richard C. Kautz, chairman of the Grain Processing Corp., is chairman of the NAM.

community with a stronger, better-organized effort in coping with national and private sector problems in Washington and across the nation," Mr. Richey and Mr. Kautz said in their joint statement.

At a news conference detailing the plan to merge, Mr. Kenna pointed out that proposals to combine the two organizations had been made periodically over a number of years, almost from the founding of the National Chamber in 1912. The NAM was formed in Cincinnati in 1895.

Mr. Kenna said: "This kind of merger makes a great deal of sense in the public interest and in the interest of the business community. We feel that the joint resources of our two organizations can better serve these interests."

Dr. Lesher said: "We believe that the private enterprise system has proven itself in this country able to create and sustain wealth at an un-

precedented level, the likes of which have never been seen in any other country. We believe it is important that the private enterprise system of our society receive the best possible representation in the public policy debates of the future."

The National Chamber has a membership of 3,500 organizations and 56,500 business firms. The NAM represents 13,000 manufacturing and related businesses. The National Chamber has a staff of 540 and the NAM, a staff of 200.

No name chosen yet

No name has as yet been selected for the combined organization. However, Dr. Lesher said: "It is quite likely that it will embrace the terms commerce and industry in order to suggest unification of these two areas of the business community."

The united organization will be headquartered in the National Cham-

ber's building at 1615 H St. N. W., Washington, on historic Lafayette Park facing the White House. The new organization will be headed by a businessman who will serve as chairman for a one-year term, with the president serving as permanent chief operating officer. Both the National Chamber and the NAM now function this way.

Merging on an equal basis

Dr. Lesher and Mr. Kenna emphasized this will be an equal merger of the two groups.

Each group has enjoyed membership gains, the two presidents said, notwithstanding the recent recession.

"We want to do a better job of representing the business viewpoint," Dr. Lesher said, and he and Mr. Kenna said they believe the new organization will be able to do this.

The two chairmen, Mr. Richey and Mr. Kautz, said: "America's most pressing public policy problem is to strike a new balance between our explosively growing government and the private enterprise system, so that the nation can hope to benefit from the best aspects of both in meeting the challenges of the future. The new organization will dedicate itself, among other things, to attainment of this overriding objective."

Dr. Lesher commented: "What we are talking about is putting together two very good teams into one super-team."

Both Mr. Kenna and Dr. Lesher said the merger of the two organizations will produce a better-integrated effort to inform the business community on issues which affect it.

Work with local groups

Mr. Kenna said the new organization will have an expanded ability to work with the business community across the country. The two organizations have had separate field staffs working closely with local and state business groups.

The announcement of the plan to merge was made well in advance of the proposed consolidation, Dr. Lesher said, in order to avoid rumors which might misrepresent the facts. □

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It's our job to gather the most important crop of all — capital. Money for all the things it takes to

keep agriculture at full capacity, able to feed and help clothe the other 95% of our population . . . plus untold millions in other lands.



we do

Will Our Next 200 Years Match the First?

TWO HUNDRED years ago, it was obvious that a great future lay ahead of America, provided the infant nation could secure independence.

A rich land awaited development. America abounded in aggressive, inventive people who were eager to develop the country and to help it grow.

The first census, in 1790, showed 3.9 million people in a country of 889,000 square miles. The 1970 census showed a population of 203 million in 3,615,000 square miles.

As the nation grew, a cornucopia of resources was developed—not just the fertile cropland, spacious grazing land, and bounteous stands of timber, but minerals whose potential initially was only faintly realized. Coal, and later petroleum and natural gas, fueled a burgeoning economy. Metals

and chemicals proved invaluable to that economy.

America became the envy of the world. America's citizens enjoyed both political freedom and an economic system that encouraged initiative. By and large, Americans had a higher living standard than the citizens of any other country. And America's industrial might and technological innovation meant it could meet any military challenge.

Now, the picture is changing. The population growth is slackening. Year by year, America's dependence on other countries for certain crucial raw materials increases. Businessmen complain of stifling government regulation, which they fear will inhibit both freedom and economic progress. A recent survey shows gross national product per capita higher in

four countries than in the U. S. Foreign competitors have successfully challenged American manufacturers in such fields as auto production.

America, for the first time, has lost a war; and the intercontinental missile, the power of Russia and China, and the spread of nuclear weapons capability among a wider circle of nations spark fears of a disaster far worse than Pearl Harbor.

In the first 200 years, America's progress outshone that of any other nation. Will America's second 200 years be as glorious as its first?

Some people, citing the string of negative factors, say no. Others believe the initiative that was so important in America's past is still present and will ensure a magnificent future.

What do you think?

PLEASE CLIP THIS FORM FOR YOUR REPLY

Kenneth W. Medley, Editor
Nation's Business
1615 H Street N. W.
Washington, D. C. 20062

Will America's second 200 years be as glorious as its first? ☐ Yes ☐ No

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A Strong Protest Against Forced Retirement

FOUR out of five NATION'S BUSINESS readers responding to the May "Sound Off to the Editor" question—"Should retirement be mandatory at a certain age?"—vote no.

One of the most common arguments is that a person's age is an unfair yardstick by which to judge his productivity.

For example, A. H. Metz, president of Modern Plastics, Inc., Hia-



C. N. Russell, Jr., president of Office Products, Inc., Oklahoma City, calls mandatory retirement "another arrow in the heart of the employee's and employer's right to choose."

leah, Fla., says that "many men and women are old at 50, while others are still active and can contribute their share and more at 70. Why put those others out to pasture?"

Frank Stewart, vice president and general manager of Roberts Paper Co., Amarillo, Texas, says: "We have some salespeople who were retired at 65 and still are very productive ten to 15 years after retirement."

Legislation has been introduced in Congress that, in effect, would prohibit compulsory retirement at any specified age. Paul Sperling, vice president of Corrick International of California, Inc., Santa Cruz, thinks the courts could well bar such retirements without passage of such legislation. "I believe forced retirement is illegal," he says. "If we may not discriminate in hiring on the basis of age, then we may not so discriminate in firing." He adds: "The argument that jobs are created for younger workers is specious; the 65-year-olds will be leaving the work force soon enough."

James J. McCormick, an assistant

vice president of Liberty Mutual Insurance Co., Boston, feels that "forced retirement because of age is more discriminatory than discrimination because of sex, color, or creed; it strikes everyone." It is also morally wrong, he says, "because it denies older citizens their basic civil rights. It deprives them of dignity, a sense of being needed or wanted."

A. R. Fortier, a vice president of Hartmann-Sanders Co., Elk Grove Village, Ill., votes no and asks his own question: "If judges, politicians, and members of Congress do not have to retire, why should anyone else?"

An emphatic no comes from Felix P. Kinsley, Jr., president of Kinsley & Sons, Inc., St. Louis. He says: "I have seen many business associates who were required to retire at 65 or 70. They were extremely active, loved to work, and were a real asset to the company. The adjustment to retirement was often very difficult, and many of them died within a year."

Several employers voting against compulsory retirement state a pref-



Clyde T. Starr, a sales manager of Nationwide Mutual Insurance Co., Butler, Pa., says he is near retirement age but: "I think it should be mandatory. We must open the field for younger people."

erence for their older employees, citing such characteristics in these people as experience, wisdom, loyalty, and dependability. Some say they have never been able to replace satisfactorily older workers who have been forced to retire.

Those in favor of mandatory retirement frequently state that age slows a person down mentally and

physically and makes his job performance inadequate. "Without a forced retirement age," says Milton A. Kassner, retired vice president of Wisconsin Telephone Co., Milwaukee, "too many—particularly higher salaried top executives—would hang



Fred E. Norberg, president of C & N Sales Co., Inc., Mankato, Minn., votes no. "We are all better off physically and mentally when working," he says, "and age will not change that."

on without realizing they have lost their vitality and imagination."

Many yes voters agree with Thomas A. Repp, a vice president of Security Benefit Life Insurance Co., Topeka, Kans., who says: "Mandatory retirement provides encouragement and opportunity for younger employees to succeed to more responsible jobs. When the younger employee feels he is blocked from a promotion, he is easily attracted by a competing employer."

Others voting yes feel that mandatory retirement at a certain age has the advantages of forcing companies to implement better retirement plans and forcing employees to plan for their retirement.

The nature of the "Sound Off to the Editor" question prompted a number of respondents to recount what had happened to themselves or others as a result of forced retirement.

Henry W. Lever, owner of The Henry Lever Realty, Madras, Oregon, votes no to forced retirement but tells this happily ending story: "I was retired as a professor emeritus and department head in a prominent western college at 65, even though I was a better teacher at 65 than when

I was younger. That was 26 years ago. Good health and a desire for work kept me busy. I am now a successful realtor."

Robert D. Spies, superintendent of the Allegany Ballistics Laboratory of Hercules, Inc., in Cumberland, Md., says that perhaps the most convincing argument against forcing retirements because of age "is the long-term economic impact." Ending such retirements would "somewhat relieve the Social Security funds problem," he explains, "and would probably help relieve the financial problems some company retirement programs are facing."

James L. Shoemaker, public affairs manager for the Utah Power & Light Co., Salt Lake City, wonders if a compromise can't be worked out. "At age 65," he suggests, "hours could be cut 20 percent and the same for salary. Further phasing out of work could be based on a health and alertness formula established with the help of company physicians."

Donald H. Baker, president of Blue Ridge Furniture Co., Lenoir, N. C., is against age-linked forced retirement—"it is poor business to lose a good employee because of an arbitrary age limit," he says—but also against legislation banning such retirements. "My suggestion to government is to confine its efforts where government belongs," he says.

However, M. J. O'Shaughnessy, sales manager for Burlington Northern, Inc., in Lewiston, Idaho, favors forced retirement, arguing that "it helps create much-needed job opportunities."

The subject really strikes home to R. B. Barger, area development and utilization manager for Connecticut Natural Gas Corp., Hartford. "I will be 65 in two months," he says, "and by company policy must retire. Although I would prefer to continue working, I believe mandatory retirement is in the best interests of employees of all ages." □

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LETTERS TO THE EDITOR

OSHA and Businesses' Rights

The Occupational Safety and Health Administration will henceforth emphasize health and safety standards equally, OSHA chief Morton Corn reports in your article, "OSHA's New Focus: The Health of Your Employees" [May].

Dr. Corn raises such questions as proposed lead standards in plants employing women of childbearing age and what formula should be adopted for on-site consultation regarding any OSHA requirements. Businessmen ask how much red tape can be wrapped around managers before they are mentally strangled, and how many government inspectors can be added before personnel officers become candidates for the funny farm.

If Dr. Corn proposes to do a complete job of investigating and regulating health conditions, he should establish a Division of Psychiatric Evaluation for Business Administrators. Many of us who have to cope with OSHA are already candidates for such services.

JIM MADISON
President
Journal Office Supply Co.
Sterling, Colo.

The OSHA article was very timely. Recent developments have provided good news for employers and bad news for that agency.

First, a three-judge federal court in Texas has ruled that an OSHA inspector does not have the right to enter a business place at will. If the owner of the business does not admit the inspector voluntarily, that government agent must petition a court for a search warrant. The court held that the 1970 law requiring admittance of OSHA inspectors was an attempt at partial repeal of our constitutional protection against unreasonable searches. The Constitution provides that "no warrant shall be issued except upon probable cause."

Secondly, a federal judge in South Dakota ruled that an employer can require an OSHA inspector to prove his identity by filling out a "Public

Servant's Questionnaire" on the purpose of his visit and exactly what he proposed to do on the business premises.

Both those rulings were major victories over the OSHA bureaucracy and should—if upheld on appeal—relieve employers of some of the harassment that has rubbed them raw.

TIMOTHY P. SMITH
Assistant Vice President
Russell F. Scott Co.
Mortgage Bankers
Ft. Walton Beach, Fla.

Your article was quite a boost for OSHA. I hope you plan a second article on what a gestapo this agency really is and what can be done to abolish it.

FRED C. SEUBERT
Owner
Gem Builders Supply
Cottonwood, Idaho

Freedom to choose

James J. Kilpatrick touches on a very serious area of human rights in his article, "Another Uproar Over the Freedom to Choose" [May], in which he criticizes government efforts to ban the importation and use of Laetrile, which some believe can help cancer victims.

We must always retain the right to determine our own medical treatment. Government cannot be allowed to make those decisions for us. Nor should we be dictated to by such special interest groups as the American Medical Association or the American Cancer Society.

Although Laetrile has not been accepted as a conventional form of cancer therapy, it may control or even cure cancer in some victims. That consideration alone should warrant a thorough investigation of Laetrile.

We must not get bogged down in a bureaucratic society where research is limited because experts cannot agree.

STEVE CRAWFORD
Vice President
Crawford Freight Lines, Inc.
Aberdeen, S. Dak.

continued on page 20



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Mr. Kilpatrick thinks it should be his inalienable right to choose for himself whether to formulate, distribute, and consume a product generally known as Laetrile. Why he believes this particular substance deserves special attention is hard to understand. There are literally thousands of substances which may not be sold in the U.S., including such well-known items as DDT, thalidomide, and cyclamates. There are thousands of other items that the lay person cannot obtain except by prescription.

For better or worse, society has decided that it is not within the right of the individual to decide for himself or for others whether to use freely substances which, in society's opinion, are deleterious to health and welfare.

As a matter of fact, one can make a much more positive case for many substances other than Laetrile, which Mr. Kilpatrick acknowledges is worthless as a therapeutic agent.

For example, the social and eco-

nomic benefits of DDT were substantial, but it is not available today because of some exaggerated concern about its possible future effects. And even the American Cancer Society does not support the government's contention that cyclamates cause cancer. That type of artificial sweetener is the only one I have found acceptable, but I am not free to use that product because of government decree.

As far as Laetrile is concerned, the American Cancer Society recently reiterated its concern over use of a drug that is ineffective when there are effective methods of treatment available. The society feels it is far more important to protect people from someone attempting to send them on the wrong road for cancer treatment than it is to protect them from someone going the wrong way on a one-way street.

CLAIR A. SNYDER
Executive Vice President
American Bank and Trust Co. of Pa.
Reading, Pa.

Freedom—that's what this wonderful nation is all about.

But, little by little, the unelected, dictator-bent, bureaucratic government is taking freedom away from us. Worst of all, we are permitting it to do so.

D. O. GUTH
Vice President
Guth Corp.
Hillside, Ill.

How interesting that Mr. Kilpatrick's article should appear in your magazine shortly after another publication reported an estimated 15,000 people spent Easter Sunday smearing their ailing bodies with dirt from an allegedly sacred hole in the ground north of Santa Fe, N. Mex. The dirt had been credited with everything from good crops to cancer cures.

Surely this dirt must be at least as sinister and suspect to the legislative and medical establishments as the apricot pits from which Laetrile is derived. Will we next legislate



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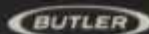
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against the very earth on which we dwell?

In answer to Mr. Kilpatrick's question asking who will cure the sickness of freedom, I believe the medicine he dispenses in his articles should certainly help us realize how sick we are. That is the first step.

J. ARTHUR LINDSAY
Director, Employee Relations
Soulé Steel Co.
San Francisco, Calif.

Employee theft

Mark Lipman's article, "What You Can Do About Employee Theft" [May], really hits the target.

The distressing fact is that too few American businesses are following the three most basic suggestions to head off theft: make stealing more difficult; remove temptation; establish proper paperwork procedures with real audit controls.

In regard to that third suggestion, one of the most effective weapons businessmen can use in combating theft is the autographic register with a copy of every transaction under lock and key.

VINCENT L. O'NEILL
Vice President-Sales
Star Form, Inc.
Lancaster, Pa.

Standing up for business

Harry E. Figgie, Jr., chairman and chief executive officer of A-T-O Inc., is so right when he says that the need for educating Americans on the virtues of their economic system has never been greater ["Clearing Up Muddy Thinking About Business" in "Panorama of the Nation's Business," May].

I have been trying to convince businessmen and organizations to stand up and defend business, to rebut unjust and exaggerated criticism.

We could form local organizations to conduct business-oriented meetings for our own employees—our captive audience. They, in turn, would have their own captive audience—relatives and friends. Such a program would have to be carried out in a well-planned and coordinated manner so individual businessmen participating would not feel ineffective.

BRUNO TAMBELLINI
Tambellini Foods, Inc.
Pittsburgh, Pa.

A union's alarming power

Some people argue that the way to solve the energy mess is to break up the big oil companies.

Members of the Teamsters Union recently came within hours of a strike that would have halted virtually all truck transportation in this country. The strike was averted by a pay raise condoned by the national administration.

Government officials had nothing to say, however, about so much power in the hands of one group. There was not a single suggestion that it is perhaps time to break up such a concentration of power that can cause so much damage to our country with a single strike—not to mention the acts of vandalism that always seem to accompany strikes by the teamsters.

Is it not time for individuals or organizations to speak out on this issue? Our elected officials obviously will not.

ROBERT D. WILLIS
President
Willis & Griffith Insurance
Ventura, Calif.

Food as a weapon

Re your May "Guest Economist" column by Francis E. Ferguson, president of Northwestern Mutual Life Insurance Co., on "The Future Impact of World Food Needs on U. S. Consumers."

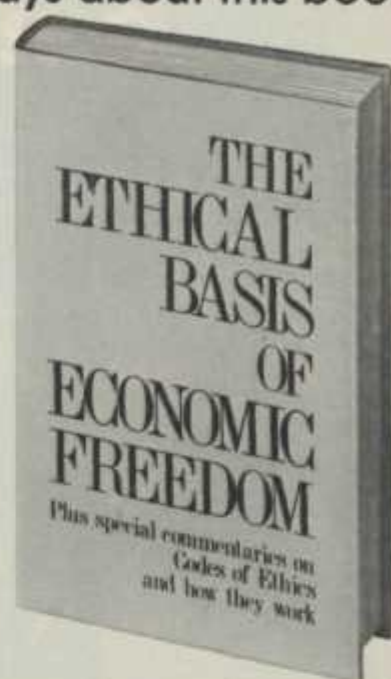
Our governmental representatives continue to overlook the fact that one of the greatest resources we possess is our ability to produce enough food to meet not only our own needs but those of a great portion of the world as well.

It may seem cruel and heartless to say that food should be used as a weapon to attain our global aims. But we can no longer be the magnificent benefactors of the world without demanding something in exchange. It seems that the more generous we are, the more disrespectful are those we assist.

There is no question that Christian-Judaic principles stand for assisting those in need, but we cannot allow those magnificent principles to be perverted any longer.

BERNARD S. ROGOVIN
Attorney at Law
Rockville Centre, N. Y.

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BY JAMES J. KILPATRICK

Guiding Principles for America's Third Century

IN A dazzling explosion of Roman candles, it comes and goes, the glorious anniversary of America's birth. Two hundred years! And because we are still very young, so vast an age seems very old. For most Americans, the republic's bicentennial is thus an occasion for pride; and like most birthday parties, this Independence Day provides a festive hour.

Many happy returns of the day! That is what we ordinarily say at birthday parties. In the context of a nation's anniversary, what do we mean? We are hoping that the day will return and that it will return happily many times. We are hoping that the good aspects of American life will continue through our third century and that the day of the American will contentedly survive.

It is a cheerful wish. Is it a realistic wish? Will those characteristics that we regard as peculiarly American characteristics maintain their vitality for another hundred years? Obviously, no one knows. But the practice of guessing today what will happen tomorrow is an ancient necessity. In this fashion, we buy the week's groceries and build the world's bridges. Much of the process of living is a process of first looking foggily backward, trying to figure out what has happened, and then looking as foggily ahead. Will America have many happy returns of the day?

I doubt it. I am no Cassandra; I was not meant to be. Many things could happen. Roman candles provide a poor light to read by. Great American leaders, yet unknown, may well emerge; nations, like Christians,

can be "born again." My doubts and reservations may prove wholly insubstantial. God knows I hope so, for the American day has been a great day, and I pray my grandchildren will see it happily return many times.

BUT I venture this bicentennial impression for what it may be worth: As a nation, we are in a drifting time. We are now on course, now off it; we often seem to be steering by an uncorrected compass. In our own domestic life—let alone the field of foreign affairs—we are losing track of those guiding principles that got us here in the first place. If we are ever to get back on course, we had better get back to those principles. We ought to adapt them and apply them.

The birthday custom is to make our manners to Thomas Jefferson's Declaration of Independence. It is a beautiful document, part poetry, part law; it begins with abstract ideals, continues through a bill of particulars, and concludes as a bold political statement. The Declaration is properly revered. But forgive me for taking as a text a different document, composed for a different purpose. George Mason's purpose, in writing the Virginia Declaration of Rights, was not to declare the causes that impelled the colonies to independence; Mason had no thought of submitting facts to a candid world; his object was not to proclaim the united colonies as free and independent states. Mason sought only to define the political rights of a free people. On June 12, 1776, he provided a point of beginning, not only for Jefferson's pen a few weeks later,

but for those in 1976 who would like to look back at how "the day" began.

A word about Mason. He is among the most neglected figures of the American past. Born in 1725, he was planter and lawyer, but he was mostly a thinker. He preferred to live the life of the mind at Gunston Hall, one of the loveliest of the Virginia plantations. To the extent that he is remembered at all, he is remembered chiefly for his steadfast and eloquent opposition to ratification of the Constitution that came from Philadelphia in 1787. But he is remembered also for the Virginia Declaration of Rights. Let me respectfully commend it to you.

Mason set forth his declaration in 16 numbered paragraphs. It is not possible to examine all of them within the scope of this essay. My thought is to reflect on certain political, economic, and social themes and to leave aside Mason's wise assertions in such areas as trial by jury, self-incrimination, and due process of law. My thought is to look at only some of Mason's ideas and to inquire into their prospects for survival. Mason began by asserting:

"That all Men are by Nature free and independent, and have certain inherent rights, of which, when they enter into a state of Society, they cannot, by any Compact, deprive or divest their Posterity; namely, the Enjoyment of Life and Liberty, with the Means of acquiring and possessing Property, and pursuing and obtaining Happiness and Safety."

Plainly, this was the genesis of Jefferson's opening statement in the Declaration of Independence, and Jefferson was the more felicitous writer. Mason was perhaps more precise. Mason did not indulge the pretty fantasy that "all men are created equal," a proposition that manifestly is not so; but he did undertake to define the basic rights of a free and independent people.

WELL, HOW fare these rights in 1976? We have reared a tremendous class of people who are only provisionally free and only relatively independent, and the process shows no sign of abating. Consider, if you will, the freedom of the typical businessman or industrialist, whose decisions are circumscribed at every hand. Consider the freedom of the university administrator, who finds himself in paper fetters. Consider, if you will, the conditions of dependency created by public welfare, by the monopoly of public education, and by the benefits of a Social Security system. When government, at all levels, takes 35 to 40 percent of gross income, what becomes of the doctrine that men are free and independent?

The basic rights, said Mason, include the enjoyment of life and liberty—and Mason included a clause that Jefferson left out: the means of acquiring and possess-



PHOTO: FRED MAROON

ing property. Mason here was asserting that property rights and human rights go hand in hand; they are inseparable; they are all bound up together. Without the means of acquiring and possessing property, a free society ceases to have meaning. The ownership of property, Mason was saying, has to be linked to that larger and encompassing right—the right to the pursuit of happiness.

This was the American dream: not a right to happiness, but a right to pursue happiness. There is a vast difference. Neither Jefferson nor Mason supposed that governments are instituted among men to plant for each of us a bed of roses. They proposed no money-back guarantees of peace, prosperity, and chickens in every pot. The inherent right is a right to go chasing after happiness; there is no assurance of catching it.

IN SOME significant ways, these 200 years have seen the right of pursuing happiness expanded. It took a bloody civil war to extend this right to black Americans, and the extension remains far from complete. But it is a fair question to ask of other Americans: Is your pursuit more hobbled by the state, or less hobbled by the state, than it was two centuries ago? The record, it seems to me, is mixed. The course is uncertain. But my guess is that, in the threshold areas of life, liberty, and property, we are not as dedicated as once we were.

Mason had a good deal to say about the relationship between the governed and the governors. In his second paragraph, he declared:

"That all Power is vested in, and consequently derived from, the People; that Magistrates are their Trustees and Servants, and at all Times amenable to them."

In his third resolve, he declared:

"That Government is, or ought to be, instituted for the common Benefit, Protection, and Security of the People, Nation, or Community; of all the various Modes and Forms of Government, that is best which is capable of producing the greatest Degree of Happiness and Safety, and is most effectually secured against the Danger of Maladministration."

It is useful to inquire where we have drifted from these wholesome concepts of 1776.

MY IMPRESSION is that, in many areas of government, our masters have lost sight altogether of the proposition that all power derives from the people. In Washington, where I cover my beat, some subtly different concepts have emerged. Over the past 15 or 20 years, for example, we have heard a great deal about the "inherent powers" of a President. This was Mr. Kennedy's view when he wanted to crack down on the steel mills; it was Mr. Johnson's view when he wanted to expand the war in Vietnam; it was Mr. Nixon's view when he wanted to conceal the taped evidence of wrongdoing. We know now that our last seven Presidents invoked powers they did not constitutionally possess in order to invade the civil liberties of the people.

It is not only Presidents who forget the limitations upon their power: it is the bureaucracy also. Within the executive agencies, the generators never stop turning. Congress passes some regulatory statute, and because members of Congress derive their powers directly from the people, it is supposed that the bureaucracy's rule-making power shares the same parenthood. This is not quite the way it works. The executive agencies are like second cousins twice removed. Their relationship with Congress is seldom close; their responsiveness to the people is still more remote. In time, the agencies come to resemble the feudal states of medieval Europe, tight little baronies, walled and moated, secure against all except the most energetic and determined of attacks.

Those who serve in public office, said Mason, are the people's "trustees and servants." Many men and women in governmental offices fully subscribe to this doctrine; they do indeed regard public office as a public trust. But well before Watergate, the notion was full grown that public office is a source of personal power. The autocratic license clerk, the bullying policeman, the despotic traffic court judge, the overweening congressman—all these have become feared and familiar figures in our society. It was one of Mr. Nixon's underlings who mused upon ways to "maximize our power,"

so as to "screw our enemies," but there was nothing novel in this. The trend was evident long before the plumbers went to Watergate.

That nightmare experience—the experience of Watergate—should have had a cleansing, cathartic effect upon our political process. There is some evidence that it did: Two thirds of the states rushed to enact sunshine laws, disclosure laws, laws to create standards of ethics. Congress, for its part, rushed to

FROM THE BETTMANN ARCHIVE



George Mason: The fundamental principles of his Virginia Declaration of Rights "are as solid as ever."

pass a bristling statute in the name of election reform. Now, two years have passed, and we are entitled to inquire how far we truly have traveled on the road back to the ideals of George Mason. As I write, one member of the House is accused of promoting his personal fortunes in a land deal, another is accused of putting his mistress on the public payroll, still others are accused of falsifying their travel vouchers. The election reform law, having been ruled unconstitutional in important respects, was then shabbily rewritten. Where are the magistrates who honestly regard themselves, in their heart of hearts, as "trustees and servants"? I am sure, to repeat, that many are good and faithful stewards; but many others are not.

Notice, if you will, what Mason had to say about the abuse of power. He said the best governments are those

that are most effectually secured "against the danger of maladministration." In the Virginia Convention of 1788, where he fought against ratification of the Constitution, Mason time after time returned to this theme: Power must be restrained, lest bad men abuse it. He was not so afraid of the dangers of maladministration at the state and local levels, where abuses may be more easily confined and attacked, but he feared the growth of national decrees. He had the vision, 200 years ago, to see the dangers to happiness and safety that would arise with the growth of a remote and tutelary power. Well, where are we now? And what is the trend as we approach the third hundred years?

Toward the end of his resolution, in Paragraph XV, Mason declared:

"That no free Government, or the blessings of Liberty, can be preserved to any People but by a firm Adherence to Justice, Moderation, Temperance, Frugality, and Virtue, and by frequent Recurrence to fundamental Principles."

On our bicentennial celebration, when we talk of many happy returns of the day, this is the day we are talking of. We are wishing the return of those characteristics that Mason regarded as indispensable to the preservation of free government and personal liberty. Look again at the words; they are old-fashioned words, cross-stitched from the national heritage, a sampler for framing on our walls: Justice, Moderation, Temperance, Frugality, Virtue.

MY GUESS is that, when it comes to the formal administration of justice, we are doing tolerably well. In one point of view, we may be doing too well: The rights of a criminally accused too often are regarded as more important than the rights of his victim or of society. On balance, the rights that Mason spelled out in his 1776 declaration probably are more secure now than they were then. The right to trial by an impartial jury, the right to have counsel, the right to be protected against excessive bail and cruel and unusual punishment—in all these areas, the picture is measurably improved. We still have one kind of justice for the poor and another for the rich, but the chasm narrows.

Having said that, let me express a few reservations as we look to the century ahead. When Mason speaks in the same breath of liberty and justice (the phrase recurs in our Pledge of Allegiance), he is speaking of the integrity of the individual; he is speaking of man's right to live in privacy and safety, secure not only from the violence of the brigand, but also from the subtler impositions of the state. I am troubled and uncertain. In one recent case, the Supreme Court refused to succor a young man whose life had been ruined when the police circulated a warning falsely convicting him of shoplifting. In another case, the court enlarged the

power of a prosecutor, the Fourth Amendment notwithstanding, to prowl through a citizen's bank records—the theory being that the records are the bank's, not the citizen's. In a narrowly legalistic view, the two opinions may be defensible, but they smack more of law than of justice; and they are troublesome.

WE ARE heading into a century in which more and more of the people's papers and effects will be in the never-never land of a data retrieval system. The science of telecommunications is now no more than a mewling infant; it will grow. A relatively cashless society is not far away. First-class mail declines. The privacy of a conference room steadily yields to the convenience of a conference call. The arts of justice have yet to grapple head-on with the science of computer technology. A new era is likely to find us with our lives more efficient and our privacy less secure.

What of moderation and temperance? Here, too, it seems to me, a bicentennial box score presents a mixed picture. America never has been much for moderation; our people are not by nature a temperate people. To contemplate the record of crimes, follies, and misfortunes that contribute to our history is to contemplate a record of duels and lynchings, religious bigotry and racial passion, corporate oppressions, labor violence, political invective, and all the rest. In terms of our environmental resources, the record is a record of extravagant waste and unthinking exploitation. In recent years, pornography has become a stream of raw excrement polluting the river of ideas.

Perhaps the approaching century will be different. In many areas of our national life, we are probably more moderate and more temperate than we have been before. Certainly, we exhibit a more prudent regard for natural resources than we exhibited in 1776 or 1876. Our political debates are more civilized. The worst of our religious and racial passions appear to be restrained. I would expect these trends to continue.

YET there comes a point at which moderation ceases to be a virtue and the good characteristic of temperance subsides in a valueless sea of indecision. I have in mind what often is called the national will. It is the point at which prudence, caution, compromise, and conciliation run out. In the context of the American Revolution, Jefferson put it this way: "Prudence, indeed, will dictate that governments long established should not be changed for light or transient causes, and accordingly all experience hath shewn that mankind are more disposed to suffer, while evils are sufferable, than to right themselves by abolishing the forms to which they are accustomed." But when a "long train of abuses and usurpations" no longer can be tolerated, a nation must act.

What is the American flash point now? What is it

likely to be in the years ahead? I cannot say. In the first century of our republic, from 1776 to 1876, the world was dominated by British power and influence. The second century, from 1876 to 1976, was plainly the American century. What of the third? Do we go the way of Britain?

In the summer of our bicentennial, the hustings ring with charges that our armed forces include too many armchair officers and not enough first-class fighting men. The draft machinery has been junked. The Secretary of State rattles sabers; our Congress rattles teacups. I don't know. Perhaps the flash point of Pearl Harbor is as volatile as ever.

MASON spoke of frugality. Only a handful of men are left in Washington who seem ever to have heard of the word. Deficit spending plainly has become a way of life. The national debt climbs toward a level at which we soon will be spending a billion dollars a week simply on interest. It takes more and more devalued dollars for the American family to keep pace. Now and again, we hear voices urging frugality in terms of our mineral and petroleum resources, but the voices are seldom heeded. The picture is not wholly bleak; of course it is not. Some sensible things are being done in forestry; the engines of American inventiveness are being harnessed to develop new forms of energy; our country's agricultural productivity remains the envy of the world. But we are still the big spenders and the high rollers, and the notion of frugality has scant appeal.

Finally, virtue. Moral excellence. Rectitude. George Mason further defined the term as "the mutual duty of all to practice Christian forbearance, love, and charity towards each other." Two hundred years ago, a hundred years ago, religion played an important role in American life. Jefferson invoked "Divine Providence." In our national motto, we declared our trust in God. Little of that spirit remains today. In a misguided zeal to "get with it," to be relevant, many of our churches have abandoned old rituals, old disciplines. A new school of educationists promotes the view that teachers should not teach right as better than wrong; pupils, it is said, should be permitted to make up their own minds, to do their own thing. The causes of crime are fearfully complex and ought not to be oversimplified, but to the extent that crime rates are an inverse index of old-fashioned virtue, the picture is appalling. This is not merely violent crime; it is white-collar crime, boardroom crime, crime with clean fingernails. And the rates inexorably increase.

THIS is not the cheery essay I first thought of writing when the editor of *NATION'S BUSINESS* asked me to discuss bicentennial themes this month. It is almost un-American to doubt, and who would be un-American

on America's birthday? Yet the doubts persist, and it would be dishonest to suppress them.

What to do? If we assume the old values had merit, how can we reassert those values and apply them to our country's third century? Mason had the answer. Free government and the blessings of liberty, he said, can be preserved "by frequent recurrence to fundamental principles."

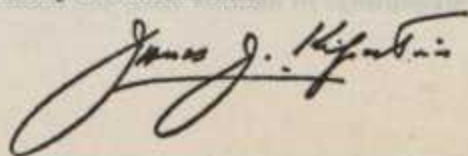
In business, this means a rededication to the fundamental principles of the enterprise system: honest products, honestly priced; a good day's work for a good day's pay; the spur of competition; the reward of profits. Business leaders will have to devote more of their time and resources to selling the concepts of entrepreneurship, of property rights, of risk and investment. I doubt that the drift toward corporate socialism can be stopped, but if we work at the task, the drift can be greatly slowed.

In government, we must strive to return to the doctrines of limited government, of separation of powers, of effective restraints upon unbridled authority. I believe we must realistically accept the truth that ours is a tiny planet, inhabited by peoples who grow increasingly interdependent. Ours is also a vulnerable planet—vulnerable to forms of terrible destruction. In some fashion, I cannot say how, we must deal wisely with the interdependence and with the danger. This will demand bold and visionary leadership—in the end, that is all it will demand—but such leadership is rare; it must be cultivated.

In terms of social needs, we will have to rethink the nature of the city. As human longevity increases, we will have to rethink the concepts of labor, retirement, and productivity. I cannot foresee the moral and ethical questions the geneticists will pose, but I am certain these are coming. Personal freedom and population controls are antithetical concepts, but I suspect they will have to be reconciled before our tercentennial.

IF I DOUBT, I surely do not despair. The American people have come a long way from Valley Forge and Yorktown. We have built upon the great foundation stones of the English-speaking inheritance; we have enriched our culture with the contributions of many lands. Our people have known hardship and danger and sacrifice. If we have been profligate, we have been generous also. If we have consumed prodigiously, we have produced prodigiously as well.

If in some ways we have fallen short of the ideals of freedom, justice, and equal opportunity, we have given these ideals a valiant try. The ideals endure; the fundamental principles of Mason's declaration are as solid as ever. If we will believe in them, adapt them, act upon them, and never be ashamed of them, we will yet make it to 2076, and to the happy return of a glorious day in the history of western man.



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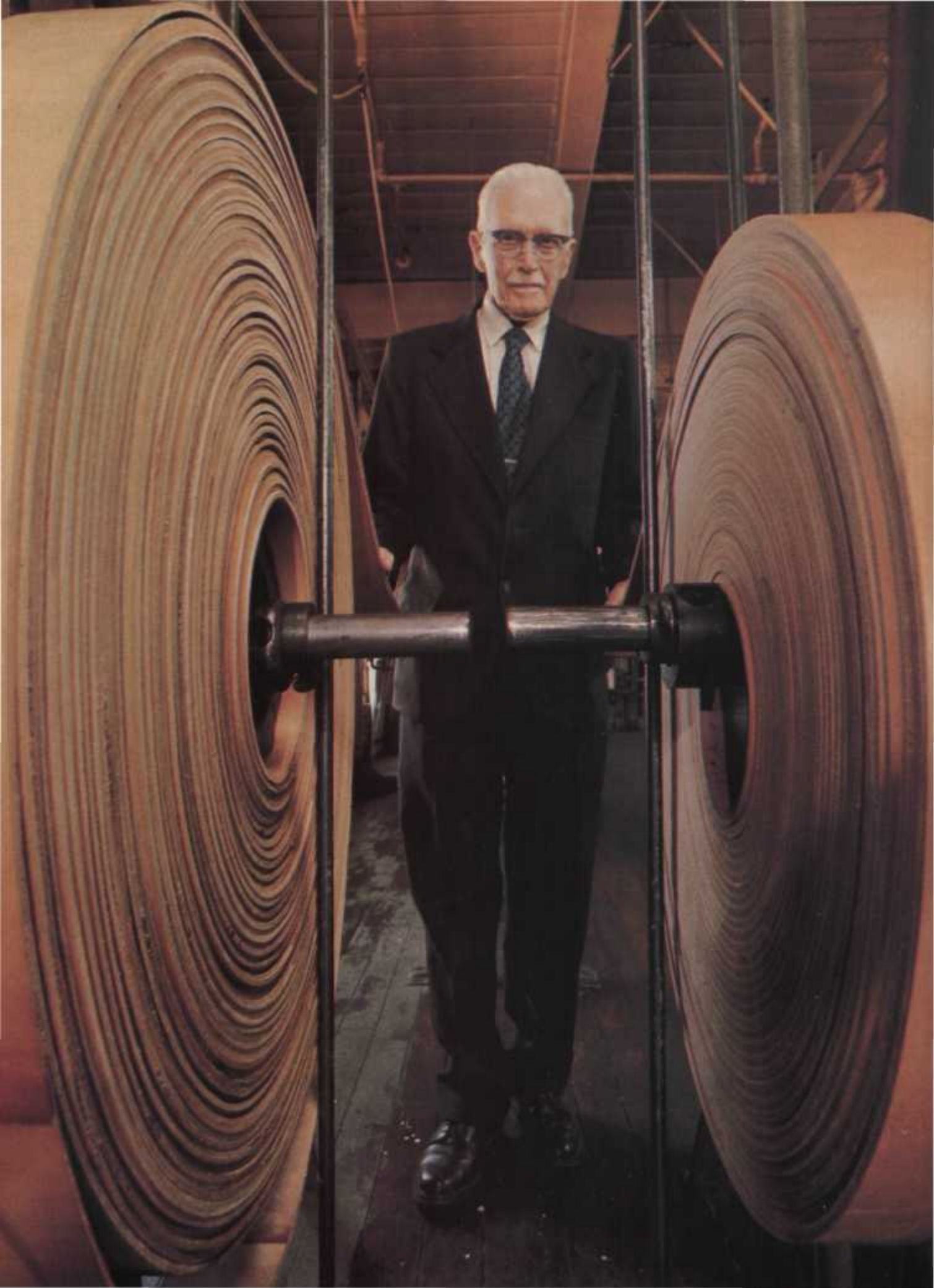
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solution bags; (4) Diene™ in disposable glasses and water bottles; (5) plastics in surgical tapes and dressings, pouches, and syringes; (6) urethane foam mattresses; and, of course, (7) we're right there with radial tires for ambulances and emergency vehicles. Wherever we at Firestone can help, we do.

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Running a Family Business for 274 Years

Why has J. E. Rhoads & Sons survived and thrived under eight generations of the same family? J. Edgar Rhoads, 92 and still active, tells the story

LONGEVITY is a goal of many businesses, large, small, or medium-sized. It is a goal that many fail to reach.

J. E. Rhoads & Sons, Inc., of Wilmington, Del., is one business that has achieved longevity. For eight generations, the Rhoads company has been owned and operated by one family. The company is now 274 years old and still going strong.

How has this company, the oldest business in America, survived so long? What are the features of business leadership that have enabled it to thrive?

For the answers, NATION'S BUSINESS went to a man who led the company for many years and has just stepped down from an active leadership role at age 92.

J. Edgar Rhoads, who says he is "92 and a half," has served his firm as general worker, chemist, partner, senior partner, chairman, and chairman emeritus—a post that at J. E. Rhoads & Sons is not merely honorary, but involves a substantial amount of work in an executive capacity. He remains on the board of

directors, reporting regularly at the company's old brick plant in the Wilmington suburbs.

On several snowy mornings, Mr. Rhoads has driven himself to work over slick pavements to find he was among the first employees on the job.

The Rhoads company, founded in 1702 as a tannery at Marple, Pa., near Philadelphia, makes belting for industrial uses. Mr. Rhoads's cousin, Richard H. Rhoads, 66, currently is chairman emeritus.

Earlier this year, for the first time, day-to-day control of the company passed to executives who are not related to the Rhoads family. None of the younger generations of Rhoadses had elected to go into the firm, though ownership remains with the family.

Heading the managerial team now are two veterans of the company, Daniel C. Frysinger, 60, the chairman, and Kenneth R. Bull, 50, the president. The transition from family to nonfamily executives has gone smoothly.

The company ranks among the top firms in its field in the country.

Not that J. E. Rhoads & Sons is big—its annual gross is around \$3 million, and it has only about 80 employees at its headquarters plant and four branches. Nor is the company diversified—management has restricted production mainly to industrial belting.

But the company is profitable, and management can see a bright future.

Edgar Rhoads, who became a partner in the company in 1915, has one of the longest records of service in an executive capacity of any American businessman now living.

In the following interview with a NATION'S BUSINESS editor, held in the offices of the oldest company in America, he tells of some of the ingredients of success he and his company have learned.

Mr. Rhoads, your company has lasted for 274 years and gives every indication of going on for a long time. What are the reasons for such longevity?

Probably the main reason is our determination to treat people as they want to be treated. We give the best

service we can. Essentially, we try to follow the Golden Rule: "Do unto others as you would have them do unto you." This has paid off in our business.

Another reason is what I call stick-to-itiveness. Don't be diverted into improper sidelines; stick to your rules and standards. The first Rhoads to emphasize stick-to-itiveness was Abigail, wife of Joseph Rhoads, who founded the family tannery in 1702 near Philadelphia. Joseph died at age 32, and Abigail carried on the business most successfully until their son, James, took over.

Adaptability to the changing needs of the country is still another reason.

Our company has managed to anticipate changing times and to adjust to wars, natural disasters, depressions, political upheavals.

Also, we have changed technology so we could adjust to what the market wants.

How about some examples of this?

In recent years, this has involved new uses of leather, handling differ-

ent types of leather, using new methods of tanning, and introducing plastics as they became available.

Over the centuries, we have had to shift gears and adapt to making leather harnesses, bellows, straps, shoe tops, soles, heels, laces, and transmission and conveyor belting. We have worked not only with cattle hide, but also with deerskin, horsehide, pigskin, and rubber, as well as plastics.

For years, the company operated on waterpower and horsepower. New methods of tanning reduced the process time from a year to three months.

Another factor in a company's lasting through the years is willingness to leave an inadequate site. Rhoads has moved several times. Our move from near Philadelphia to Wilmington in 1867, during those uncertain years after the Civil War, took courage.

Also, a company must take on good people, train them well, and treat them fairly.

Jonathan Rhoads, one of my an-

cestors, shifted from running a simple tannery to operating a belting works plus a tannery. He wanted experienced help, and he got it by forming a partnership with an experienced man. In 1887, he bought out his partner and formed a partnership with his sons. That was when the name J. E. Rhoads & Sons was adopted. Before that, the name was simply the Rhoads Co.

Jonathan Rhoads and his sons moved to larger quarters. In 1903, the year I joined the company, we moved into an even larger building, and this location is where we still are.

Any other reasons for outlasting all other companies?

I could mention one. We never underestimate the power of women.

Abigail was the first of many strong Rhoads women. She was forceful in times when women weren't as active as they are now. Her old account book is in the Hagley Museum in Wilmington, and it shows her to be a strong decision-maker.

One of her customers was a great-uncle of President Abraham Lincoln. He had the same name as the President.

There was Hannah Rhoads, who lived in the early 1800's. She increased the intellectual strength of the family, and she gave her children, one of whom came to lead the company, high spiritual objectives. The family is, and always has been, Quaker; we aim to practice Christian teachings seven days a week. Women like Hannah Rhoads have had a strong influence on the company through the family.

Rebecca, my grandmother, influenced me greatly when I was a boy. She said many wise things. When I was seven, I was asked to perform some duty or another—I have forgotten just what. I answered, "Oh, I'll never do that." My grandmother looked at me and said, "Edgar, thee will find that never is a very long time."

You mentioned changing technology. Is research a reason for your company's longevity?

Partially so, yes. We have developed many uses for our products, as



J. Edgar Rhoads tries to spend part of every working day in the shop talking with employees, many of whom are old friends who have worked for the company for many years. Two old-timers, John Lamb (left) and Charles Moore, work in the sizing room, treating leather so that it will accept bonding cement.

well as several tannages. One of our processes produces soft, flexible, strong leather for certain kinds of belting.

Special waterproof cements were developed here to bind strips and plies of belting together. We perfected a tannage to stop leather from hardening after it is wet. Some of our leather went into shoelaces that explorers wore to both the North and South Poles.

Over the years, leather has decreased in importance to Rhoads. Can you trace this decrease?

Yes, quite easily. In 1920, 85 percent of our business was with leather-related products, and only 15 percent was with rubber and other products.

Now, about 85 percent of our business involves rubber, plastic, and nylon-related products, and 15 percent involves leather-related products.

The big swing toward rubber and nylon came in the early 1950's, when Rhoads produced a nylon-reinforced leather belting that is still very successful.

The average age of your employees is well above 40. How do you hang onto highly skilled employees for so long?

We believe in carefully selecting young people, getting those with high qualities and interest in work. Then we treat them right. Also, we train them our own way. We train them to do several different jobs in order to make sure that their work won't become so repetitive that they lose interest.

Some of our employees come to us on the advice of older employees, and, of course, we use employment agencies and newspaper advertising to find employees with particular skills.

There is a lot of loyalty among both our longtime employees and our newer ones.

By modern American standards, yours is certainly not a large company.

No, it isn't. One reason is that there is no huge demand for belting in the industries we serve—paper, textiles, food, and metalworking. For



A watercolor of the Rhoads family's ancestral homestead hangs on the office wall of Richard H. Rhoads (left), chairman emeritus of J. E. Rhoads & Sons and cousin of Edgar Rhoads. The homestead was in Marple, Pa., near Philadelphia, but it has long since given way to a housing development.

example, one paper machine may cost more than \$2 million, but it will have under \$25,000 worth of belting on it. The belting, however, is vital to the machine.

Practically every belt is custom-built. We don't have markets that can absorb miles and miles of one kind of belting.

Another reason we are relatively small is that, as Quakers, our family aims to avoid business that we think is harmful to people. We did not seek any direct military business during World Wars I and II.

Also, members of the Rhoads family believe in occasionally leaving the company, for several months at a time, to do public work that helps mankind. Most of us have done this, and, of course, this often removes managerial talent when it is needed by the company.

I spent five months in Berlin and Rome getting relief supplies to Poland, before America got into World War II. I had to work with the Nazis for permission to send the supplies.

Among other outside jobs, I spent nine months in 1919 and 1920 help-

ing to feed some children and mothers in Germany.

These were expensive experiences for me and for the company. But they were worth it. They were spiritually enriching.

Has the company ever considered a large expansion or diversification program?

Actually, no. The family has had many interests—religious, civic, and personal—outside the business. For most of the company's history, the owners have seemed to consider the business more a means to an end than an end in itself.

You know, in a way, the company was more diversified early in the 19th century than it is today. There was a period when Rhoads men quarried stone and made scythe stones in addition to running the tannery. This was discontinued when the company moved to Wilmington.

Mr. Rhoads, have you pioneered changes in management techniques?

A management technique that I have used, although I cannot say I

pioneered it, is to promote a feeling of responsibility at the grass roots. We want each employee to understand the importance of his or her job as it relates to needs of our customers.

Thanks to our employees' genuine interest in quality of workmanship and performance of products, we were able years ago to adopt a Rhoads belting warranty that was unique in our industry and helped to increase sales.

The warranty said, in effect, that if a Rhoads belt did not operate more economically than one obtained from a competitor, considering its longer life and freedom from maintenance, the user could return it and be refunded whatever part of the original charge he felt was appropriate.

What principles of business behavior have you passed on to Daniel Fry-singer, the new chairman, and Kenneth Bull, the new president?

You don't have to pass on the desire to do the right thing to such people as these two. They have learned the right things over many years with us. They have a desire for quality production, to treat customers right, to provide good service, and to have stick-to-itiveness.

If you operate the right kind of company, you are not the only person working there who knows the proper things to do.

Does it sadden you that, after eight generations, there isn't a Rhoads as chairman or president?

I think about it a great deal. I will continue on the board as long as I am able to. My cousin, Richard Rhoads, has just succeeded me as chairman emeritus, so at least the Rhoads name is still active through both of us.

Getting old is, in a way, a sad process.

Younger generations of Rhoadses have other interests. Some have done well in banking and investment counseling, another is a gastroenterologist out in Washington State, another is a librarian, and still another is getting a Ph.D. in anthropology at Harvard.

Physically and mentally, you are still

going strong at 92. How have you done so well?

When I was a child, I was sickly. I nearly died three times—from diphtheria, pneumonia, and measles. Pneumonia stunted my growth, and I am the smallest of the Rhoadses. I was five feet eight until a few years ago, when I shrank an inch from old age.

I think I have done as well as I have for a number of reasons. I never smoke, and I don't drink. I watch my diet, I drink no coffee, and I eat a minimum of sugar and exercise moderately.

I have 26 of my original teeth. I'm proud of that.

All in all, I think my mind is still good.

What do you do for relaxation?

My main interest is in nature. I used to be a bird-watcher, but my eyes are not good enough for that now. However, I read a lot.

I have been active in building up a nature education society, and we are establishing a museum on a large tract of land near Wilmington where young people can get much knowledge. We start with children of four and give them six weeks of summer classes. They come back year after year and learn more about their natural surroundings. Some continue these studies in college.

Also, I am a director of the Delaware Museum of Natural History.

For many years, I was active in the Boy Scouts, and I was president of the Delmarva Council for several years. I was a member of the board of the Wilmington Institute Free Library for more than 50 years, and I have been a member of the board of my old school, the Philadelphia Penn Charter School, which was chartered by William Penn. One of my daughters went to Bryn Mawr, and I was a trustee there for 31 years.

Oh, I've had many activities—much to keep me busy and interested.

One hobby I have is trying to improve the use of language whenever I can. What you hear on TV and radio is pretty bad, and it spreads.

I cringe when, for example, I hear: "This man behaved like a ten-year-

old." Of course, it should be: "This man behaved as if he were ten years old."

You became a partner in the company in 1915. Your managerial experience must be among the longest of any American executive.

I don't know of anyone with more time in service.

Your company can look back on nearly three centuries, and you personally can look back on almost a century. How about looking forward? What do you recommend for your country and its people?

In America, we have too much interest in making money and not enough in the things that make for real happiness—public service, unselfishness, friendliness, willingness to help others. We forget: Power creates the desire for more power, and when you get more power, you often overlook others' rights.

I hope our country will become a happier place and measure profits more in human relationships and less in dollars. I hope we will sincerely follow, every day of the week, what we know to be the right course.

Our problems as a nation may increase. Greater wisdom, understanding, and spiritual guidance are needed throughout the country to combat them.

I feel that character, as well as ability and capital, is vital for human institutions to endure for long.

Here at our company, we feel the need to draw a goodly proportion of our oldest and best employees into the business as something more than workers. We are taking a major step toward doing this.

Next fiscal year, we will launch an employees will accumulate funds in our business prospers, and I am hopeful that it will, our stockholder-employees will accumulate funds in the trust which they will draw upon when they retire, or which their survivors will get.

May we all have the strength and wisdom to do what we know is right. □

REPRINTS of this article are available from Nation's Business. See page 73 for details.

An Easy Way to Change Jobs

**'This system is simple, straight forward and quick — but it works.
Do it right and you can have the highest earnings of your career!'**

I've got something that can help you earn a great new living and perhaps even make you rich!

Now, I know this seems hard to believe, but I can also *prove* it to you!

I say this because I've got letters from *thousands* of satisfied customers, . . . and a product which has been praised by 150 leading media!

What's more, at \$10, it's an incredible bargain, and I'll even give it to you without asking you to risk *one penny*!

However, first let me tell you what I have.

I've got a *copyrighted job changing system* that you can use to move up in your field, or out to another field, but at significantly higher earnings.

It took myself and five other professionals two years and \$250,000 to develop—but it works!

Furthermore, it doesn't require "genius" and it doesn't require "luck." All you have to do is put it into action.

The reason we developed it was because with 85 million employed, and 18 million circulating resumes each year, this area was ready for some revolutionary ideas.

We knew more people than ever owned prestige cars & yachts, summer homes and international retreats, as well as having securities, real estate holdings and lots of cash in the bank.

In short, many people in the U.S. are living good lives!

At the same time, however, the great majority have no excess cash, little job security, and are frequently restless, bored with their jobs, commuting long hours, and harassed by inflation!

We asked ourselves how do people get to live the "good life"?

Well, we found that most successful people were there because they never wasted time in dead-end situations!

What these people did was to make crucial job changes, and *parlay* their higher earnings into small fortunes!

Take a look at the economics!

Do you realize that if you were to change jobs every 4 years, at an average annual increase of \$4,000, and then put the increases in the bank at 6%,—that in 20 years you'd accumulate an *extra half million dollars*!

Getting raises is one thing, but getting significant increases because of

job changes is a very important source for wealth!

The next question then, is how can you easily change jobs? This is where the unique system we've developed fits in.

Our system can work for anyone from \$8,000 to \$80,000. Do it right and you'll gain higher earnings, lifelong job security, but most of all, *everlasting self confidence*!

This is because once you've used it, you'll know you can *always* get a new job,—quickly and predictably.

Perhaps you're wondering why our system works? Well, it works because it's a *completely different approach*, based on totally new concepts.

But, also because it's simple, practical, and self-tailoring. You could start next week—and do it *without strain, confusion or worry*.

But, there is one catch! You won't be a success if you use old methods for dealing with recruiters & agencies, for answering ads & sending out letters, for handling interviews & negotiating salary.

To make more money without a hassle, you'll have to be willing to change. You'll also have to follow our system, have an open mind & have faith in yourself.

However, do this and a better life will be yours!

With our system, whatever you seek—a better job, a new career, higher pay, more satisfaction,—*I believe nothing can stop your success!*

Not age, sex, education, or even low earnings or past working history.

Personnel Magazine said we have a "breakthrough."

The National Public Accountant even said it was "*capable of catapulting any average person into a position offering much greater rewards.*"

However, your best proof of our system is that we've already received thousands of letters from grateful customers.

Letters like one from a gentleman in California who wrote: "*In 4 weeks I changed jobs and raised my salary 33%! I wish I had it 10 years ago!*"

Another man from New York said "*I used one of your letters, sent 24 out, and got 13 interviews and 3 job offers!*"

Still another from California said "*In just 11 days I received an offer of \$7,000 more!*"

I know this sounds almost too easy and I can't promise that you will do as well. But, then again you may do better!

Even the largest business magazine in the U.S., **Nation's Business**, said our materials were "*incredibly effective.*"

Now, if you're serious about wanting to move up, then I know that our system is something you've got to have!

In fact, I'm so convinced that you'll agree that it's worth *hundreds of times the cost*, that I'll make sure you have nothing to lose.

First of all, when your order arrives, we'll ship within 24 hours. No delays!

Secondly, you can examine our system for 10 days.

Third, if at the end of that time you are dissatisfied, return it, & I personally guarantee your 100% refund will be mailed in 3 working days—with no questions asked!

To let me prove everything I've said, and to take advantage of this nothing-to-lose offer, just fill in and mail me the coupon below.

Performance Dynamics Inc.
Attn: Mr. Robert Jameson, President
17 Grove Avenue
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Mr. Jameson's ideas have been the subject of more than five hundred articles, ranging from 600 words in *Business Week* to 3,000 words in *Chicago Today*. This material has also been nationally advertised in leading media including *The Wall Street Journal*, *Scientific American*, *Nation's Business*, *Signature*, *The New York Times*, *Newsweek International*, *The Los Angeles Times*, *American Scientist*, *Income Opportunities*, *Time*, *Specialty Salesman*, *Success Unlimited*, *Chemist*, *Forbes*, *New York*, *The Chicago Tribune*, *True & others.*

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America's Oldest Companies

THOUSANDS of businesses flourished in the 13 colonies before the American Revolution.

They ranged from shops to shipping firms, from forges to potteries, from warehouses to distilleries.

Only 20 of those thousands of enterprises are known to exist today, either as independent firms or as recognizable divisions of other companies. There could be other business survivors of America's colonial period, but their lineage has been blurred by faded memories and an inadequacy of records.

Putting together an accurate list of businesses that are older than the United States in this bicentennial year is difficult for several reasons.

Many old companies have changed their names a number of times. Disputes surround the founding dates of some ancient firms. A number of businesses which may have been started more than 200 years ago do not have unbroken lineages going back to their starting dates. Some claimants to a pre-Revolutionary War history turn out to have been branches of British or other European enterprises that were doing business in the colonies.

After research at the Library of Congress, numerous direct contacts with companies, and talks with historians at Columbia and Harvard universities who specialize in business, the following list was compiled of U. S. companies that are older than the United States:

1702 J. E. Rhoads & Sons, Inc., Wilmington, Del., a manufacturer of belting for industrial uses. [See "Lessons of Leadership: Running a Family Business for 274 Years," page 30.]



1717 Presbyterian Ministers' Fund, Philadelphia, a full-fledged insurance company despite its name, one that caters to the insurance needs of all clergymen, Presbyterian or otherwise. Some other insurance firms go back further in American colonial history, but they were British firms, not American. Presbyterian Ministers' Fund was the first chartered life insurance company in America, and its rather extensive name originally was: "The Corporation for the Relief of the Poor and Distressed Presbyterian Ministers and of the Poor and Distressed Widows and Children of Presbyterian Ministers." The first policy issued is still in existence. And there is a 1746 receipt signed by Benjamin Franklin's wife, Deborah, acknowledging the payment of ten pounds for printing done by the

Franklin Printing Co. for the fund.

1728 Franklin Printing Co., Primos, Pa., Ben Franklin's job printing firm. It is still the printer for the Presbyterian Ministers' Fund—this is the oldest connection between businesses in our nation. Franklin sold his interest in the firm, piece by piece, between 1748 and 1766. In 1954, the company became a wholly owned subsidiary of Williams & Marcus Co., a large Philadelphia printing firm. Over the centuries, Franklin has been housed in nine different locations.

1740 James E. Pepper & Co., Lexington, Ky., a major national distiller and the oldest company west of the Allegheny Mountains. Pepper is now a division of Schenley Distilleries, Inc.

1742 Taylor-Wharton Co., Easton, Pa., steel fabricators. The company is now a division of Harsco Corp.

1743 Skillman Express, Storage & Furniture Exchange, Princeton, N. J. The company, one of the smallest of these old-timers, is in the furniture warehousing business, among other lines.

1752 Caswell-Massey Co., Ltd., New York, chemists and perfumers. The firm trades heavily on nostalgia and on its own great age. A recent sales pamphlet states: "Caswell-Massey still continues to purvey a vast array of exquisite toiletries, both of our own manufacture and gathered

from the far reaches of the globe." Among items offered: strawberry juice soap, brown sugar soap, virgin



beeswax soap, Turkish bath brushes without handles, and cucumber cold cream.

1752 Philadelphia Contributorship for the Insurance of Houses from Loss by Fire, Philadelphia. This is the oldest fire insurance company in America.

1754 Devoe & Reynolds Co., Inc., New York, a major paint manufacturer now part of Grow Chemical Corp.



Tobacco of the best quality & flavor, as the Mandanbury, No. 4, Chatham Street, near the Gate. By Peter and George Lorillard.

1760 P. Lorillard & Co., New York, manufacturer of tobacco products. This is the largest of the oldest firms. Some of its cigarette brands are Old Gold, Kent, Newport, and Spring. Lorillard is now a wholly owned division of Loews Corp.

1760 American Lawn Equipment Corp., Lyndhurst, N. J., a lawn mower sales firm that got its start making and selling barbed wire. Like others in this list, the company has been bought and sold several times, and its name has been changed.

April 12, 1755.

NEW-HAVEN,

Connecticut

With the Freight Advances



NUM. 1

THE

GAZETTE,

Foreign and Domestic.

1761 Kirk & Nice, Philadelphia, undertakers. The company began as a cabinetmaking operation, and soon it was providing wooden caskets for burials. Kirk & Nice is still at its original location at Germantown Avenue and Washington Lane. The eighth generation of the founding family is operating the business.

1764 The Hartford Courant, Hartford, Conn., a daily newspaper. This is the best-known of America's earliest journals.

1766 New Haven Journal-Courier, New Haven, Conn., a daily newspaper. Its original name was the Connecticut Gazette.

1767 Dexter Corp., Windsor Locks, Conn., manufacturer of specialized industrial papers. Dexter's main building is within a few yards of the site of the firm's original building. The seventh generation of the founding family is now operating the business.

1770 Demuth Tobacco Shop, Lancaster, Pa., tobacconists. The shop is still owned and operated by members of the founding family and is in the original location.

1771 Philadelphia Inquirer, Philadelphia, a daily newspaper. This is the largest of the very early American newspapers.

1773 Baltimore News American, Baltimore, a daily newspaper. Originally, this was the Baltimore American.

1774 O. Ames Co., Parkersburg, W. Va. Primarily a merchant and manu-

facturer of farm tools, the company has branched out into cement, shoes, and other lines. Ames is now part of the McDonough Co., of Parkersburg.



Bowne & Co. c. 1840

1775 Bowne & Co., New York, financial printing firm. Other firms in New York may be older, but Bowne claims to be New York's oldest continuous business enterprise because it never has moved into or out of the city. Bowne is a major printer of annual company reports, prospectuses, and other business documents.

There is also one veteran of pre-Revolutionary War days among the thousands of associations in the United States today. It is the New York Chamber of Commerce and Industry, a descendant of the New York Chamber of Commerce, formed in 1768. □

REPRINTS of this article are available from *Nation's Business*. See page 73 for details.



HONOR AMERICA DAY

On July 4, 1776, Americans asserted their right to determine their own destiny. We justly celebrate that decision today. But in celebrating, we should not lose sight of the fact that the American Revolution has been a continuing revolution. The franchise in early America was limited to a minority of the population: White, male, property-owning adults. That was not good enough. Over the years, injustices were recognized—thanks to the dedication of many men and women of conscience. The franchise was gradually extended—to people who didn't own property, to blacks and other minorities, to women, and, much more recently, to residents of the District of Columbia.

But until this year, there was still one disenfranchised group as large as the population of the District: The 750,000 American men and women working overseas in the private sector.

The National Chamber went to bat for these people, campaigning vigorously—and successfully—for passage of the Overseas Voting Rights Act. Now, all qualified American citizens located anywhere outside U. S. boundaries are guaranteed the right to an absentee ballot in federal elections.

The Chamber works on many fronts to protect and extend the rights and liberties of the American people. Much of our activity is concerned with matters of far broader potential impact than the Overseas Voting Rights Act. But I truly believe that, out of all we are engaged in, nothing honors America more appropriately than this one small extension of the precious right to vote.

Use that right and you, too, HONOR AMERICA.

Dr. Richard L. Leshner
President
Chamber of Commerce of the
United States

A Salute to St. Louis


PHOTO: DORRY SILVERSTEIN

There are many attractions for businesses in the home of the reverse brag


ST. LOUIS is a metropolitan area in the grips of an identity crisis. Outsiders cannot agree what kind of a place it is. St. Louisans, who know firsthand, cannot agree what should be done about their hometown's confused national image.

For example: Rand Corp.'s West Coast think tank publishes a study saying St. Louis is becoming an urban ghost town. A group of Russian architects, comparing notes after a cross-country trip, vote St. Louis the most attractive city they saw. A New York City newspaper writes that St.

PHOTO: TOM EBERHORN



The brand-new Mercantile Tower in downtown St. Louis, with cut-off corners and exposed beams, features 16 corner offices on each floor, due to its zigzagging design. At 35 stories, it is Missouri's tallest building.



Old and new are side by side. Beyond the Old Courthouse (begun in 1839), which is now a museum, stands the mirrorlike Equitable Building.



St. Louis is a major corporate headquarters center, and companies that wanted new homes have contributed to a building boom. That's Pet, Inc., headquarters to the right of the Riverfront Towers hotel and Gateway Arch.



Office workers in Clayton, an affluent suburb, may have commuting times of less than 15 minutes. In the past ten years, Clayton has had an explosive growth. The high-rise at left houses Chromalloy American Corp.

Louis is losing ground economically. General Dynamics and Chromalloy American move their national headquarters from New York City to St. Louis.

Meanwhile, back in St. Louis, there is local consternation when a newspaper reports that Kansas City, on the other side of the state, is expected to gain population more rapidly in the future. Yet, the gain, if it takes place as projected, will simply mean that St. Louis, which today has about 1,126,000 more residents than Kansas City, will have only 1,082,000 more by the year 1990.

The city's style

Some St. Louisans say the thing to do is emulate Kansas City and hire a New York City public relations firm to promote civic achievements. Others point out that it is not the St. Louis style to be a loudmouthed booster. As one said, "You don't crow hysterically about your town's major role in the space program when the first plane to cross the Atlantic was named the Spirit of St. Louis."

Part of the problem is that St. Louis is hard to pigeonhole. It is the only major community in the United States that cannot be clearly identified with a specific region.

It is not at all a southern community, for example, though Northerners sometimes think so before they have made their first visit. It is not exactly northern, either, though that is what many Southerners think.

Gateway to the West

It calls itself the Gateway to the West, and the title is deserved. But for Westerners, St. Louis is the beginning of the East.

In fact, St. Louis is something special. It is the place where the country's regional cultures and regional economies first meet when they reach out to each other. That is one reason why it is a nonsimple place, a place that cannot be pigeonholed. Its facets are too numerous, too different, for any stereotyped image to work.

Of all the truly sophisticated metropolitan centers in the United States, only St. Louis combines an ideal location with manageable size. Boston is a great city, but it is off in a geographic corner; St. Louis has

How do you tell a kid he's been traded?

How do you explain to a .400 hitter that his Dad's been transferred to a different city? What can you say that will ease the pain of leaving his teammates behind?

Sure, there'll be another team—maybe even better—in the city he's moving to. But for awhile at least, it won't be the same.

These are the heart-tugging moments that are so often a part of moving. And United Van Lines knows how important they are to you and your family.

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INTERNATIONAL HEADQUARTERS—ST. LOUIS, MO.

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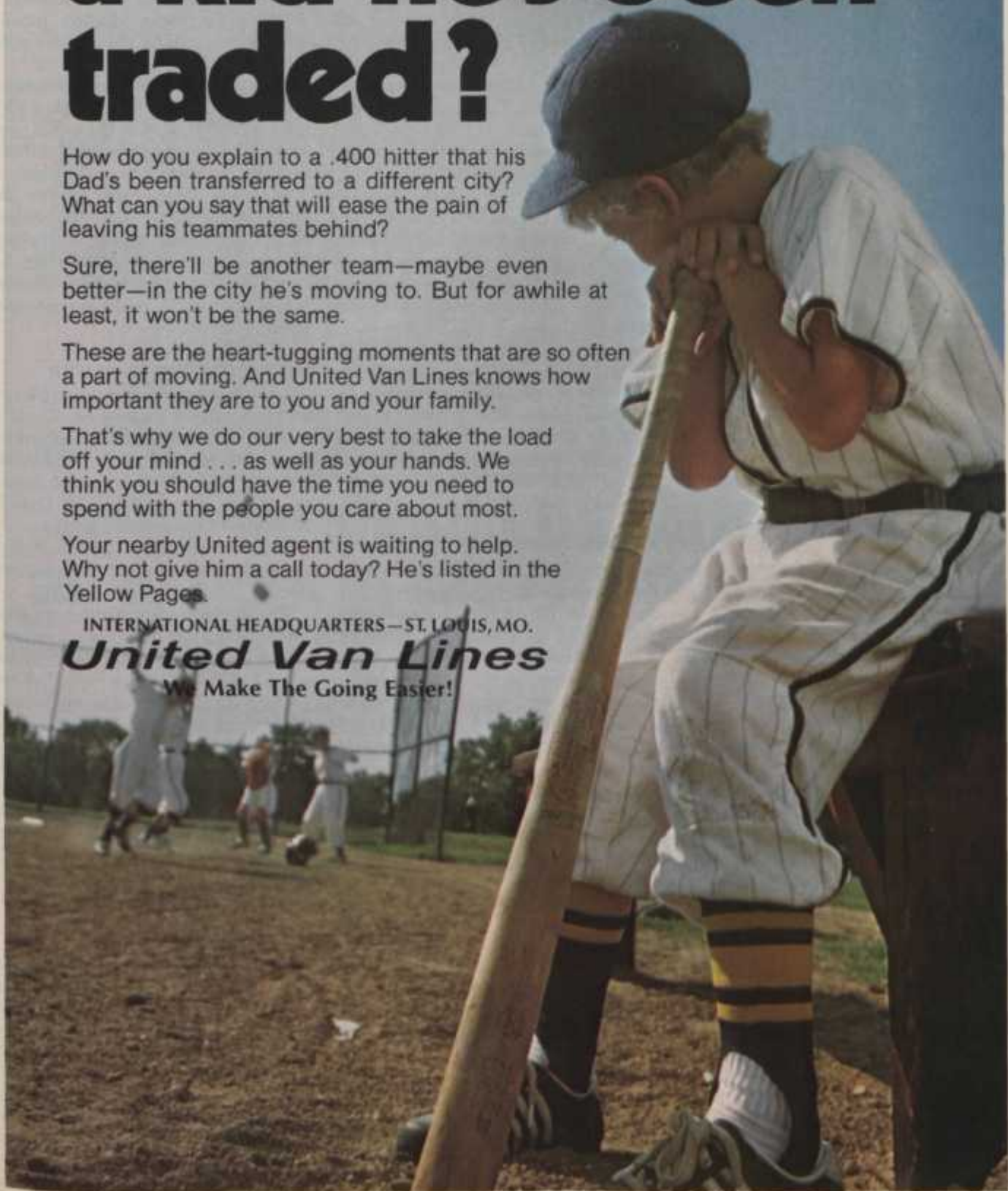


PHOTO: RON EARLOW



The Mississippi River still plays an important role in St. Louis, where annual barge traffic exceeds 22 million tons. The big midwestern city is a major rail hub, too.

35 percent of the nation's total market within 500 miles of its central business district. Chicago is great, too, but it is too big for comfort. In St. Louis, you can get from downtown to a secluded suburban home within half an hour.

Telling it like it isn't

For those who live in St. Louis, the metropolis has an underground identity.

Residents tend to criticize, groan, and generally avoid civic boasting as if it were a social disease.

Actually, a lot of them would not think of living anywhere else. But if they like it, they keep it a secret.

This curious antiboosterism has caused concern among the progressive business elements in the area. The St. Louis Regional Commerce and Growth Association was led to produce a full-scale campaign on the theme, "St. Louis Has It All From A to Z," to convince the locals they could talk out loud about the area's good points without being boorish.

And despite the best efforts of homegrown detractors, the word about St. Louis has managed to seep out anyhow. Among dissatisfied ex-

ecutives in the East, the news has spread that St. Louis is a great place to put the home office.

Corporate headquarters

The region is now the headquarters site of 24 major national corporations. Only four other urban areas in the entire country have more.

The Kellwood Corp. moved its headquarters to St. Louis about ten years ago. Fred W. Wenzel, chairman and chief executive officer, commented that St. Louis saved his officers a lot of time.

"I don't think we got 75 percent as much work done in New York, because everything is such a big effort and takes so much time," he says. "Transportation is difficult; lunch hours are long; people seem to stagger into the office in the morning and have to leave promptly to get home."

Charles C. Berry, president of the Ira E. Berry real estate company, says many of the newcomers he meets are pleasantly surprised to find that the topography is hilly and not flat and to discover numerous and varied residential accommodations and cultural attractions.

Putting down roots

In fact, by the time their companies transfer them elsewhere, many find a new job in the St. Louis area rather than move away, Mr. Berry says. By that time, presumably, they have become true St. Louisians, complaining about things, and must think fast to explain to friends and neighbors why they do not want to leave.

Never mind about the peculiarities of the residents; their attitudes are given the lie by the fact that a number of giant corporations retain their headquarters in the area.

McDonnell Douglas is the region's largest employer. Then there are Monsanto, Ralston Purina, May Department Stores, Anheuser-Busch, Emerson Electric, Missouri Pacific, General American Life, Mallinckrodt, Interco, Pet, Seven-Up, the Brown Group, United Van Lines, Peabody Coal, Consolidated Aluminum, Sverdrup & Parcel, St. Louis-San Francisco (Frisco) Railway, and Hellmuth, Obata & Kassabaum.

Perhaps the most important economic fact about St. Louis, from the day it was founded in 1764 until the present, is its location. Pierre LaCade, with a charter for exclusive trade with the Indians of the Missouri country, picked the spot to establish a large fur-trading center with easy accessibility to the waterways.

Later, the same location proved ideal for supplying the frontier with supplies and markets.

Today, geographical considerations are just as important. Within a 500-mile radius of St. Louis lie 36.4 percent of the nation's industrial activity and 36.2 percent of its population.

St. Louis is the largest port on the inland waterway system, the second largest U. S. rail center, a trucking hub with overnight service to 14 states, and an important air transfer point—21st in the world in passenger traffic in 1974.

Center of manufacturing

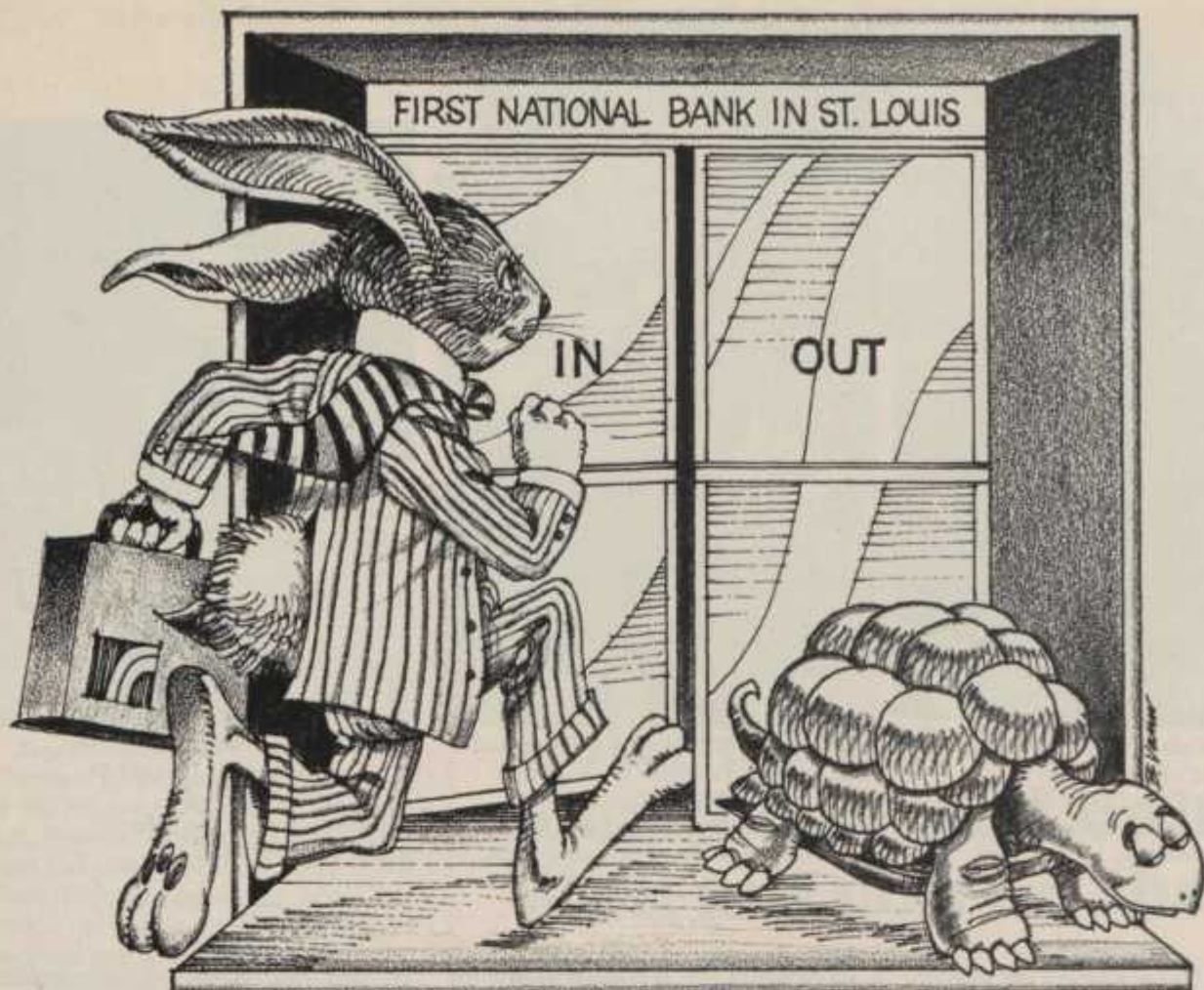
Location and transportation played a prime role in making St. Louis a manufacturing center. Not only does the aerospace giant, McDonnell Douglas, have a large plant there, the region is second only to Detroit in assembly of cars and trucks.

Another attraction for manufacturers is the region's highly skilled work force of about one million.

The workers are versatile and educated—there are four major universities, 16 colleges, and four junior college districts in the region. Since World War II, manufacturing jobs in the area, as in the rest of the country, have been decreasing in number. But there has been a fairly smooth transition to service jobs. For instance, with two major medical schools and about 60 hospitals, St. Louis has become one of the most important half-dozen or so medical centers in the nation.

Urban decay

The area has its share—some say more than its share—of problems with urban decay. Looked at from the Illinois side of the Mississippi River, the 630-foot Gateway Arch frames the downtown building revival, but looked at from the Missouri side, it frames East St. Louis, where more than half the population



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Our cash management consultants can help you develop a program that specifically meets your needs. Utilizing sophisticated computer models, we can optimize your cash flow by analyzing your systems for an appropriate test period. Then, we'll submit a comprehensive recommendation on how your systems can be handled more profitably.

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Charles F. Knight, 40-year-old chairman and chief executive officer of Emerson Electric Co., is one of the city's many energetic young civic leaders.



Clarence C. Barksdale, chairman and chief executive officer of the First National Bank in St. Louis, is also president of the St. Louis Regional Commerce and Growth Association.



August A. Busch III, 38, is the fourth generation of his old St. Louis family to head Anheuser-Busch, Inc., the world's largest brewer.

of some 50,000 are living on welfare.

This Missouri side is no stranger to urban decay, either. North of downtown, empty or abandoned blocks abound.

However, there is no real evidence that St. Louis is suffering more than other large, old metropolitan areas. A statistical distortion rather than a physical fact sometimes leads outsiders to think otherwise.

The city of St. Louis covers an unusually small area, 61 square miles. Ringed with incorporated suburbs, it is unable to expand in population or tax base and thus is seriously handicapped in coping with some of its problems. Its population dropped from 750,000 in 1960 to 590,000 in 1975, so in any statistical comparison with other cities, the core city of St. Louis might appear to be shriveling up like a raisin.

What the figures show

The figures tell a different story for the entire area, which includes not only the city but four Illinois and four Missouri counties. In the 4,935-square-mile region, the population has gone from 2,100,000 to 2,440,000 since 1960.

And there are rays of hope for the central city. As the old neighborhoods decay and are torn down, new space opens up. As suburban housing and gasoline go up in price, the sturdy old houses remaining in the city look more and more attractive. A trickle of younger families has begun to move back into the central area. More are expected.

Meanwhile, the St. Louis region offers a unique set of attractions for businesses looking for a good location.

Energy—low cost and on hand

Besides the advantages of geography and work force, the area enjoys low electricity rates (21st of 22 large cities surveyed recently), a lower-than-average cost of living (29th of 40 cities), and relatively low taxes. It is one of the few metropolitan areas where there is no restriction on new natural gas hookups for industry.

The largest coal deposit in the United States lies under the plains of southern Illinois within 200 miles of St. Louis. A \$237 million plant now under construction, the nation's first large project to test the feasibility of converting high sulfur coal into

oil and gas, is in the metropolitan area.

Food processing continues to be a big business in St. Louis because of the city's strategic location at the center of the farm belt. Ralston Purina, with more than \$3 billion in sales, and Pet, Inc., with more than \$1 billion, lead the field in the city.

New convention center

The opening of a huge new convention center next year will dramatize the importance to St. Louis of a somewhat unlikely industry, tourism, which last year accounted for 64,000 jobs.

Local financial institutions are progressive and active and are promoting economic development in the region. The presence of so many corporate headquarters makes for a stimulating business community.

The civic leadership is young and vigorous. There are three \$1 billion-plus corporations in this country headed by men 40 or younger. Two are in St. Louis: Emerson Electric, whose president is Charles F. Knight, 40, and Anheuser-Busch, headed by August A. Busch III, 39.

Only a few cities still enjoy two

highly regarded, competitive daily newspapers. St. Louis is one of those cities, with the morning "Globe-Democrat" and the afternoon "Post-Dispatch."

Business leaders play an active role in promoting worthwhile projects. A group of 30 top corporate executives has just produced what the "Post-Dispatch" calls "the most organized, computerized, politically astute school tax campaign ever waged in the city." The tax increase, a substantial one, passed at a time when similar proposals were being defeated across the country.

St. Louisans used to worry about being overshadowed by Chicago, but times and public tastes have changed.

Big, but not bloated

Another young St. Louis leader, Clarence C. Barksdale, 43, president of the St. Louis Regional Commerce and Growth Association and chairman and chief executive officer of the First National Bank in St. Louis, put it this way at a recent meeting of business and civic leaders:

"Some of our old dreams seem not merely hopeless but foolish, and we're all becoming gradually more aware of how pleasant it can be *not* to live in Chicago or New York or an American version of Tokyo.

"St. Louis is obviously big enough to be strong and self-sufficient, but it's also small enough to offer a genuinely attractive quality of life. It's an easy, comfortable, pleasant, and pretty community, and the positive side of its relatively slow growth during the past century is that our best assets have not been plowed under in the name of physical progress."

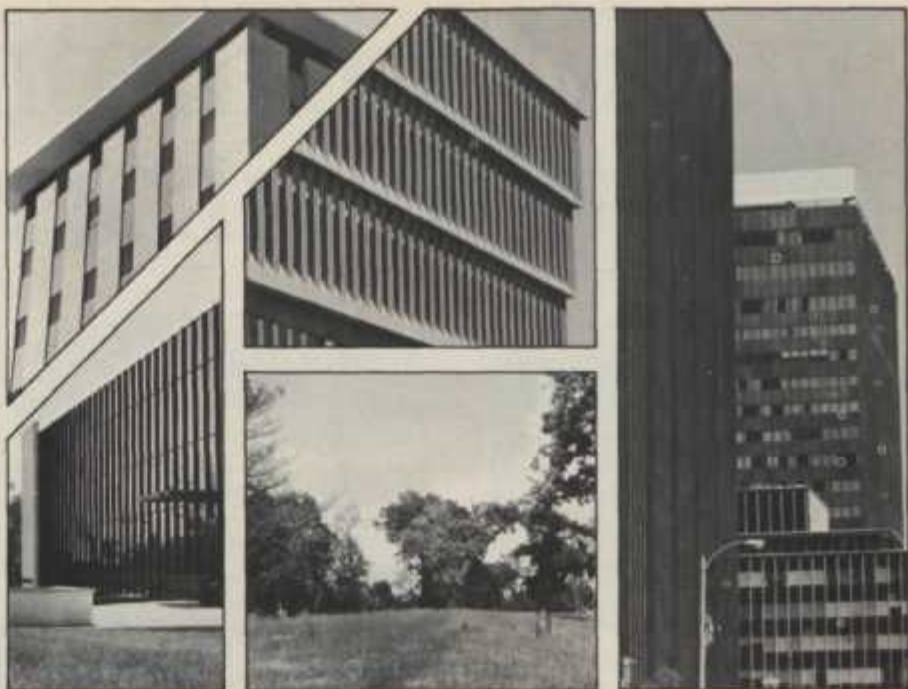
Brag—with backspin

Mr. Barksdale's words were about as close to a brag as anything likely to be heard in St. Louis.

Many St. Louisans will allow themselves only a sort of reverse brag.

"We have a lot of sky-walks in downtown Minneapolis," a visitor told a St. Louisan recently. "Of course, we need them more than you, because of our bad winters."

"Listen, St. Louis winters are just as bad as anybody's," was the indignant, if inaccurate, reply. □



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We've helped dozens of national companies find the right location in St. Louis, assisting with every detail from site selection all the way through construction. We'd like to do the same for you.

For complete information on our services—and if you wish, a visit to your office by one of our commercial/industrial specialists—call senior vice-president Richard J. Einig at (314) 862-7500. If your plans include transferring employees to St. Louis, he'll also be glad to arrange a showing in your office of our 20-minute full color audio-visual presentation on St. Louis as a good place to live and work.

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Within LaSalle Park, Ralston Purina plans to rehabilitate a dozen row houses.



SUMMER YOUTH PROGRAM.

The Company funds a program which provides St. Louis youths with summer jobs.



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**We all
profit
from
profits**



911 PARK HOUSE GRANT. A historic home was donated to the Landmarks Association of St. Louis, along with funds to be used in other local restoration projects.

Growth. Progress. A better future. Concern for the individual and the community. At Ralston Purina we are able to work on these things. Why? Because of profits! Sure, we're in business to produce quality food for people and animals and by doing our job well we earn about 3¢ profit from each dollar of sales.

These earnings, or profits, enable us to create jobs, build plants, pay taxes and reward our shareholders who invest their earnings in our business. Profits also make it possible for us to do our part in making St. Louis a better place for all. Think about it. We all profit from profits.



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A Bicentennial Salute to American Business

GREAT MEN &
GREAT MOMENTS OF
AMERICAN BUSINESS

(Trumpet fanfare)

THE
VANANDEL/DEVOS
STORY

It's 1959, and business is booming. Many people holding full-time jobs, however, still can't make ends meet.



But two young Michigan businessmen, Jay VanAndel and Rich DeVos have an idea.



They form Amway, a company to help people earn a second income — and to go into business for themselves.



The products they would sell . . . quality household and personal care items. The technique . . . person to person selling.



Experience wasn't necessary — just a healthy supply of desire, ambition, and diligence. The idea blossomed.



Today more than 200,000 men and women have a full or part-time business of their own marketing Amway products.



This has been a presentation of The Chamber of Commerce of the United States,



in celebration of America's Bicentennial.

This is one of a series of educational public service messages being shown on television across the nation. They are based on articles which appeared in Nation's Business.

If Jefferson and Hamilton Were Alive Today

DURING THE EARLY YEARS of our nation, two of the greatest of our founding fathers, Thomas Jefferson and Alexander Hamilton, had many things to say about the world of business.

Much of what they said is still pertinent to American business during our bicentennial year, and much will be pertinent in the future.

Jefferson, Hamilton, and other patriots of 200 years ago were not interested solely in politics and the political rights of man. They were also interested in economics and the economic rights of man.

Our founding fathers were, for the most part, businessmen of one kind or another. They thought it was as vital to launch the United States on a sound economic basis as it was to launch the young nation on a sound political basis.

The Revolutionary War was an economic struggle as much as it was anything else. There had been violent protest against unfair taxation by Great Britain, against unfair restrictions on American commerce and shipping, and against a ban on westward expansion by the colonies.

Hamilton and Jefferson disagreed many times. They differed sharply, for example, over the formation of the Bank of the United States—our first central bank, which Hamilton fathered and which operated from 1791 to 1811 and from 1816 to 1836.

Jefferson was for as little government intervention in private affairs as possible. Hamilton favored government intervention to help business. Hamilton is known as an advocate of America becoming a great industrial nation and of it having a strong federal government. Jefferson is known as an advocate of America becoming a nation of small farmers and artisans and of it having a less powerful central government.

What would the attitudes of these two leading

figures of our nation's early years be toward today's business and economic problems? What would they think about the regulatory agencies, about the national debt, about government protectionism in international trade, about government competition with private business?

Are there insights into solving today's problems that can be drawn from Jefferson's and Hamilton's attitudes toward the economic problems of their day?

NATION'S BUSINESS sought answers from two scholars, one noted as an expert on Jefferson, the other an expert on Hamilton.

The Jeffersonian scholar is Prof. Dumas Malone, of the University of Virginia—a school founded by Jefferson himself. Dr. Malone has written scores of articles and a dozen books about Jefferson and given an untold number of lectures about him. Also, Dr. Malone has edited the papers of both Jefferson and James Madison, Jefferson's successor in the White House. Now, Dr. Malone is writing another book about Jefferson.

The Hamiltonian scholar is Prof. Richard B. Morris, of Columbia University. Dr. Morris has written extensively about the nation's first Treasury Secretary. One of his best-known books is "Alexander Hamilton and the Founding of the Nation." Currently, Dr. Morris is editing the papers of John Jay, first Chief Justice of the United States.

On the following pages are an interview with Dr. Malone about Jefferson's economic views and an interview with Dr. Morris about Hamilton's views. The interviews tell you much about the thinking of two towering figures of the United States' early days. And they may provide you with new food for thought about today's problems.

AN INTERVIEW WITH
DR. DUMAS MALONE

PHOTO: FRANK O'NEILL

THOMAS JEFFERSON:

"He
would want
as little
government
involvement
in business
as possible"



Prof. Dumas Malone, teacher and writer on the Jeffersonian era, often goes from his Charlottesville, Va., home to the little mountain where Thomas Jefferson built his mansion, Monticello. Mr. Jefferson is buried there, only a few miles from the University of Virginia, which he founded.

DR. MALONE, how would Thomas Jefferson view American business today? As a leading scholar on Jefferson, what do you think he might say that would be good advice for today's business managers?

He said several things. I will quote two.

"In so complicated a science as political economy, no one axiom can be laid down as wise and expedient for all times and circumstances." In other words, there is no simple answer for all times.

The other quote: "The earth belongs always to the living generation."

In other words, every generation has to work out its own problems.

There are lessons to be learned from the past, and we should look back to find goals, standards, and

aims. But Mr. Jefferson felt that, so far as policies are concerned, they have to be worked out in the present.

What would Mr. Jefferson have thought about today's plethora of regulatory agencies?

He would not be happy about them at all. He, John Adams, and many others were small government men. "Let's have as little government as possible" was their attitude. Alexander Hamilton and a small group of his followers were in favor of having government do more.

Here is one of the differences between Jeffersonians and Hamiltonians.

Mr. Jefferson lived in an age when few Americans expected government, especially the federal government, to do much. He did not see the need

for government to do much. This idea of having as little government as possible goes right back to the beginnings of our country. There was hostility to government from the start.

An antigovernment spirit is still characteristically American.

Our leaders of 200 years ago never knew of a benevolent government. None existed. Government exploited people.

Therefore, our leaders believed that people had to be protected against government.

Could Mr. Jefferson adjust to regulatory agencies if he were alive today?

He would have to. He would know that the more people there are, the more complicated things are, and the

more rules are needed to run things. He lived in a much simpler age.

What would Mr. Jefferson think of his country being more than \$600 billion in debt, government expenditures running far ahead of tax collections, and citizens and corporations up to their ears in debt, too?

He thought there could be no greater danger to a country, to its stability and security, than a heavy burden of debt. He reduced government debt when he was President. In peaceful and prosperous years after his death, the federal debt was paid off entirely, and surplus funds were distributed among the states.

Mr. Jefferson did not like any sort of debt. Mr. Hamilton, who was willing to take a chance on the future of a growing country, founded his economic system on debt.

Of course, Mr. Jefferson could not conceive of a sum like \$600 billion. When he was President, there were relatively few banks in the country. No one knows precisely what the gross national product was, but from our point of view it was undoubtedly small.

Mr. Jefferson observed what happened in Europe as a result of national debts. He was in Paris at the start of the French Revolution. He knew that the troubles which led to the revolution grew out of the French government's fiscal difficulties. He also knew that debt plagued the British government, and that the events leading to the American Revolution involved economics, taxes, and debts.

On the personal side, he was a Virginia gentleman in the 18th century, when almost everyone like himself was in debt to British merchants. Actually, Mr. Jefferson never escaped from personal debt. He inherited a debt from his father-in-law, and he paid on it nearly all of his life.

What would this universal man have thought about multinational firms?

He would not have imagined what they are like. He would have had no concept of an American company doing business in 20 or 30 countries.

He believed in making the United States as self-sufficient as possible. He was especially concerned about



Dr. Malone says Jefferson would approve of today's private enterprise but "would be shocked at the materialism of our age and our emphasis on the pursuit of private gain."

this during and shortly before the War of 1812. During the Napoleonic wars, communications to Europe were often cut, and the United States could not get many products from abroad. This was the main reason he changed his mind about manufacturing, of which he originally disapproved. He always preferred an agricultural society, however.

Was he an isolationist?

No, but he perceived dangers in foreign trade, especially the carrying trade. New England shipowners and merchants wanted not only to transport American products to other countries, but also to sail wherever they wished and have the federal government protect them. That was a major cause of conflict with the British.

What were Mr. Jefferson's feelings regarding protectionism?

There were occasions when he supported protectionist measures, but when he felt they went too far, he turned against them.

Did Mr. Jefferson involve himself directly with business?

As a planter, he was necessarily involved, to some extent.

He did much to promote commerce. He helped work out an elaborate scheme of internal improvements—roads, highways, canals.

He was responsible for the adoption of the dollar, which was first a Spanish coin, as the American currency unit.

He urged Congress to adopt a metric system for weights and measures as an aid to commerce. If he'd had his way, the modern metric system would be of American origin instead of French. Congress did nothing about metric measures, and only now are we slowly switching over to a system much like what Mr. Jefferson had in mind.

Mr. Jefferson believed in little government involvement in banking and commerce, while Mr. Hamilton was for much government action to build up the economy. Were their attitudes toward banking and commerce the main points of difference between the two men?

I believe their general attitude toward democracy was the most important one. It was not just economics. Hamilton was very distrustful of democracy. Jefferson was a democrat.

Mr. Hamilton played into the hands of the moneyed class in the cities, and he didn't mind doing it. He believed he had to get those people's backing for the government. Mr. Jefferson's support was more rural; it came from farmers.

What would Mr. Jefferson have thought about a worker being required to join a union?

That would be far out of his experience. But, of course, he would not want any more restrictions on people than those that were absolutely necessary.

I think he would also be against government subsidization of private companies, and he would want as lit-

the government involvement in business as possible.

What about government competing with private business?

Perhaps the Bank of the United States provides an example of his attitude. The bank was a private institution with government support. The federal government didn't run the bank, in the sense that it runs the Federal Reserve System. The government was represented on the bank's board, and the government gave the bank certain privileges in return for the bank doing things for the government.

Mr. Jefferson certainly didn't like that bank. Mr. Hamilton proposed and strongly supported it.

What did Mr. Jefferson think of banks?

In my opinion, he didn't really understand them. Of course, they were different in his day from what they are today. He disapproved of banks being able to issue paper money. Nobody should issue money except the government, he said. He and John Adams were both hard-money men. Banking laws were very lax in those days.

How would Mr. Jefferson view our private enterprise system of today?

He rarely used the expression, private enterprise, but in many ways and at many times he displayed a distinct dislike for government involvement in private affairs—business or personal. So he would approve of private enterprise.

At the same time, if you want the truth, I would have to say Mr. Jefferson would be shocked at the materialism of our age and our emphasis on the pursuit of private gain. He was afraid that monetary values would destroy human values.

Mr. Jefferson was not opposed to money or to worldly goods. In his day, there was much bartering. He produced nails at Monticello and tried to sell them. He ended up taking produce in payment. He rented out his mill and took flour in payment.

However, he would be uncomfortable today, when even sports events call forth statements of how much

money is at stake, and when the price is mentioned if a painting is bought by a gallery.

If he were here today, one question he would be sure to ask would be: Have money and material advantages made people any happier?

How would Mr. Jefferson earn his living if he were alive today?

I think he would be connected with a university in some way. Then, too, he once said he wanted to be a market gardener, because cultivation of the soil was the most delightful of occupations and the garden was the most delightful of places. When something dies in a garden, something else grows in its place, he said.

I was in the Missouri Botanical Garden in St. Louis recently. The garden is wonderful. The thought came to me there that Mr. Jefferson would have been happy as head of that garden.

On the other hand, he was so interested in public affairs that he would have been bound to get into them to some extent. He could not remain in an ivory tower all the time.

Would Mr. Jefferson be pleased at the way our system of checks and balances in the federal government has been working?

Yes, I think he would. But in this we face a dilemma. Checks and counterchecks were put into our government because of fear of tyranny, but they can lead to conflict between the executive, legislative, and judicial branches of the government. The three branches can pull in opposite directions, and responsibility is so divided that we don't know whom to blame.

Which party would he be most at home in?

If the Democrats are more concerned for people, then Mr. Jefferson would like the Democrats. If the Republicans favor less government, then he would like the Republicans.

Actually, I don't think he would think much of either party, right now.

What are some attributes of modern life that Mr. Jefferson would not like and some that he would?

The stock market would drive him absolutely mad. He detested speculation. He was conservative and not a full-speed-ahead man at all. Mr. Hamilton was.

Mr. Jefferson was a gradualist in everything, and this is part of his great legacy to us.

He loved machines, and he enjoyed inventing things and tinkering. He was for material improvements, and he would adore many of our labor-saving devices. Life in his day was hard, and anything that could be done, anything invented, to make life a little easier found favor with him.

For a time, Mr. Jefferson did not favor manufacturing in this country, but he later came to regard it as a necessity.

He was interested in balloons, and several times he said he wished he could fly. He would be thrilled with airplanes; the fastest thing he ever saw was a horse. I don't think he would like automobiles polluting his air.

He would approve of our freedom of expression and our free press. He would approve of the degree of intellectual freedom at our universities.

He would not like our political conventions at all. He did not like crowds. He liked people as individuals.

He would approve of the extensions of the suffrage. He would not like all the pomp and luxury of high government and corporate offices.

Nothing would disturb him more than the declining numbers of small businessmen, small farmers, and small artisans.

How good a President would he be today?

He was a good administrator, and, as President, he greatly influenced Congress. He did this by force of his personality.

But I don't think he was at his best as President, and he probably would not be the man for this hour and this day.

Perhaps he was not quite tough enough. He disliked controversy. Nevertheless, the people were always his sovereign, and, with untiring zeal, he sought to protect them in their interests and their rights. □

AN INTERVIEW WITH
DR. RICHARD B. MORRIS

ALEXANDER HAMILTON:

"He
would
consider our
economic
system
a success far
beyond his
expectations"



Prof. Richard B. Morris has expanded his studies on Alexander Hamilton—that's a bust of the first Secretary of the Treasury behind the professor—to the full range of the Revolutionary War and early republic periods. Presently, Dr. Morris is editing the papers of John Jay, first Chief Justice of the United States.

DR. MORRIS, Alexander Hamilton was one of the fathers of the American private enterprise system. What would he think of the system today?

He would consider our economic system a success far beyond his expectations. Of course, he was thinking of a relatively modest private enterprise system at a time when there was virtually no manufacturing and little commercial activity. Banking had only just begun under Mr. Hamilton.

What are some of the views that Mr. Hamilton had regarding national economic policy which would apply today and possibly to the future?

He stood for fiscal soundness, for a sound tax program, and for a posi-

tive federal role in encouraging commerce and manufacturing. He stood for husbanding national resources, reducing the national debt, and avoiding new debt as far as possible.

He set forth his views in a series of papers in 1790 and 1791, when he was Secretary of the Treasury.

Mr. Hamilton said that in order to borrow on good terms of interest, the nation must immediately establish a good credit rating. If the rating was in any degree questionable, then an extravagant premium would have to be paid. New York City's present fiscal debacle is an example of what happens when a government cannot borrow money, except at premium rates of interest.

Mr. Hamilton wrote that taxation

should be equitable and not fall too heavily on any particular part of the community. He certainly did not favor a soak-the-rich tax. Yet, he did hit the rich one time with a tax on carriages.

He favored protection for American industry, because he felt that protection, in the form of a tariff, would make for a healthier domestic industry. He believed that this industry would, in turn, manufacture products that were cheaper than foreign products.

Ultimately, he said, if American industry were protected and built up, greater competition would result and prices would drop. He did not feel that protection would lead to monopolistic escalation of prices but that it

would promote the health of domestic industry.

He was a strong believer in competition, especially as a way to get prices down. He felt that new business undertakings should be supported by the federal treasury. He said there was no purpose toward which public money could be more beneficially applied.

What would Mr. Hamilton think about multinational firms?

He would think of them as a prudent decentralization of risk or diversification of risk. He probably would have felt that what would happen to multinationals, in the long run, is exactly what is happening to them.

They seek areas of the world where production can be carried on more cheaply than at home. Soon, however, costs in those foreign areas escalate, and the multinational companies find it is cheaper to manufacture back in the United States.

What would Mr. Hamilton think of today's regulatory agencies?

He would have mixed views.

As a soldier during the American Revolution, he shared George Washington's distaste for war profiteers. Both felt that action should be taken against profiteering.

Soon after the revolution, Mr. Hamilton pointed out that price regulations had been tried unsuccessfully during the war, but he made the point that they had not been effectively and fairly tried. He did not rule out the possibility that during emergencies the government might have to regulate prices and wages. He did not necessarily follow the view that prices would regulate themselves. He felt this might be true over the long run, but not over the short term.

Indeed, Mr. Hamilton's regulatory ideas were rather complex. He interpreted broadly the powers of the federal government under the Constitution. For example, even though the Constitution did not explicitly grant the federal government the power to charter the Bank of the

United States, he felt that the government should do whatever was necessary to create the bank.

Mr. Hamilton approved of a certain amount of support for business along with a certain degree of regulation. In this, he was more of a modern man than were Mr. Jefferson and other founding fathers.

Mr. Jefferson felt that in many areas the government should do nothing, while Mr. Hamilton felt that in many more areas the government should do a lot. Hamilton advocated a broad construction of the Constitution and an active role for the federal government in accordance with his doctrine of its implied powers.

Would Mr. Hamilton approve of government competing directly with private business?

Generally, no. He did believe the government should produce arms and ships of war; he made a point of saying that the government should be in the arms business. He was thinking in terms of national security.

Actually, at the time, the government was in the arms business. The Springfield, Mass., arsenal, a government installation, produced arms. Also, the government built ships during the revolution.

But you will find that Mr. Hamilton did not approve of government competing with private industry, except in defense production.

What would he think of the Tennessee Valley Authority?

Hamilton favored a broad program of public improvements, but it is doubtful if he would have endorsed the kind of regional selectivity implied in TVA. Of course, as a concept, TVA was far beyond his time.

Keep in mind that he did not oppose government aid, just government operation.

Were their attitudes toward government involvement in banking and commerce the main issues separating Mr. Hamilton from Mr. Jefferson?

This is the classic view that is found in many textbooks.

They did differ on the role of government in this area. These two gentlemen also differed greatly on foreign policy, the role of England in American trade after the revolution, and America's attitude toward France during the French Revolution.

Mr. Jefferson was pro-French in nearly all matters.

Mr. Hamilton felt that it was necessary, for the maintenance of American credit, to continue unbroken trade relations with England. Mr. Jefferson didn't agree.

Unlike Mr. Hamilton, Mr. Jefferson clung to a strict construction of the Constitution, meaning Mr. Jefferson took a narrow view of the power the Constitution conferred on the federal government. However, Mr. Jefferson bought the Louisiana Territory without explicit authority under the Constitution.

In all, Mr. Jefferson was a much more activist President than one would expect of a strict constructionist. He acted much like a Hamiltonian in his later years.

However, Mr. Jefferson certainly disapproved of Mr. Hamilton's views on supporting private businesses.

What would Mr. Hamilton think of today's one-state banking laws?

He would not approve of them. He approved of the Bank of the United States having branches in the various states, although he had the federal government keep a tight rein on its operations.

What would Mr. Hamilton think of the way we elect our federal leaders?

He would be horrified by the primary system. Basically, Mr. Hamilton had rather oligarchical views. He was not what you would call a democrat with a small "d."

He felt that popular election of the members of the Electoral College was about as close as the people should get to the election of a President.

Of course, he favored the people having a vote and exercising it. He advocated that the lower house of

Congress be popularly elected and that the members of the state ratifying conventions be chosen by the people.

What would Mr. Hamilton think of all the pomp and circumstance of high government office that we now have?

He believed in fiscal restraint, so he would have opposed extravagance in government. On the other hand, he believed that dignity and rank must be preserved in government and that government should have a high tone. He would boggle at candidates kissing cheerleaders and going to supermarkets to get votes—at much of the present campaign ritual.

I might add that what he meant by a high tone had a kind of quasi-monarchical flavor.

President Washington satisfied Mr. Hamilton's desire to have a President of great dignity.

Mr. Hamilton, then, would not object to playing "Hail to the Chief" every time the President shows up, would he?

That's hard to say. It would depend on who the chief was. If the chief were from the opposite party, he probably would object.

Did Mr. Hamilton ever take a long look into the future in business matters?

Yes. He believed that industry could develop only with a large labor force. Therefore, the immigration of industrious and skilled workers was something he spoke about often and favored. The flow of immigration to America ultimately was far beyond anyone's expectations.

He was certainly not opposed to agriculture. He did not ignore it. But he wanted to keep it better balanced with industry and commerce in order to promote a vigorous economic interchange between the regions.

When he was Secretary of the Treasury, agriculture represented perhaps 90 percent of the work effort in the young nation. He wanted industry to play a far bigger role.

He foresaw the coming of the Industrial Revolution. He understood what was happening in England—the emergence of woolen and cotton mills and what the application of



FROM THE BETTMANN ARCHIVE, INC.

Hamiltonian views that would apply today, says Dr. Morris, include belief in fiscal soundness, a sound tax program, and "a positive federal role in encouraging commerce and manufacturing."

power to machines implied for the future. He favored bringing many of these ideas to America. He felt that industry and business enterprise were the wave of the future.

He would approve, today, of our having turned agriculture into a business.

He was no farmer. Essentially, he always had a business outlook. You know, in his youth he acted as a clerk who, in effect, was manager of an export firm.

Wasn't Mr. Hamilton an early booster of the idea that the government should build a national road network?

Yes, if not the first, among the very first boosters. Some of his early ideas were first made public in statements by President Washington. Federal support for transportation was a major theme with people like the President and Mr. Hamilton.

Of course, President Washington was knowledgeable about transportation. He was an engineer, a surveyor, and he was president in the 1780's of the Potomac Co., which attempted to build a canal from the Great Falls of the Potomac River westward to Cumberland, Md.

George Washington, Alexander Hamilton, and, later on, John Quincy Adams were the advocates of the notion that government should support transportation and internal improvements to cement national unity.

Which of today's major parties—Republican or Democrat—is closest to Hamiltonian principles?

Hamiltonian principles of an energetic government, an activist government, reign supreme in both parties, to tell the truth. No party today is going to say: Abandon the notion of an active federal government.

What would happen if the government did pull back from all the bounties it offers, from all the fiscal support that it gives to individuals and businesses? There would be chaos.

Who is going to turn back the clock? No one. No one is going to abolish Social Security, for example.

Instead, we have expanded the government's role, and this would be very heartening to Mr. Hamilton.

If one concedes that the Republican Party is more concerned than the Democrats about fiscal responsibility, sound money, and credit structure stability, then—and to this extent—Mr. Hamilton would be more in sympathy with the Republicans.

On the other hand, Mr. Hamilton did not subscribe to a narrow view of the powers of the federal government under the Constitution. He did not believe that all powers not given to the federal government by the Constitution are reserved to the people or the states, but insisted that the government had implied powers.

Such an advocacy might induce him to support certain positions of the Democratic Party today, because the Democrats do tend to believe that there are certain inherent powers which the federal government has the right to exercise.

One thing for certain, if Mr. Hamilton had ever been President, he would have been an activist. □

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Adam Smith's Economics 200 Years Later

A fresh look at the ideas
of the philosopher who wrote
about "The Wealth of Nations"

BY DR. RICHARD LANDRY

TWO HUNDRED years ago, a 53-year-old former professor of moral philosophy at the University of Glasgow published a ponderous tome, "An Inquiry Into the Nature and Causes of the Wealth of Nations." Little noticed at the time, this work was to become the single most influential book of its time in explaining the benefits of enterprise capitalism and how it works.

Few moderns, including economists, can claim to have read Adam Smith's treatise from cover to cover. The 1937 Modern Library edition runs 900 pages of small print, but even a random sampling of its rich fare reveals Smith's philosophical bent. Filled with 18th century anecdotes and international comparisons, the book exudes a simple but powerful idea.

At odds with Marx

The idea: That man is tricked by his acquisitive nature into accumulating wealth and that the process benefits the whole society.

Popular belief at that time was just the opposite, as it is today. Then, as now, the wealth of the classes was presumed by many to have been gained at the expense of the masses.

A century later, this idea was elaborated on by another philosopher and historian, Karl Marx, in his book, "Das Kapital."

In the history of western ideas, this faulty proposition goes back to



Adam Smith "was indeed the earliest exponent of competitive enterprise. But he was also a learned . . . observer of government-business relations, which he viewed in the larger context of the whole society."

the Greek philosopher, Aristotle, who stated flatly that if one party to a trade gains, the other party necessarily loses. That can be true if—and only if—there is a limited, fixed amount of gain to be shared. But it is untrue, if the total gain grows with the growth of trade. And this is the case in expanding economies, as has been demonstrated by our great economic progress as a nation and as individuals since Smith's time.

So we find Adam Smith in his book contrasting static economies with dynamic economies in example after example taken from history. After all, his book was "an inquiry into the nature and causes of the wealth of [some] nations." For example, Smith observed that old families are rare in commercial countries but common in countries with little commerce. Why? Because perpetuation of the family is the most powerful motivation where commercial opportunities for the employment of capital are lacking. But where such opportunities exist, "riches, in spite of the most violent regulations of law to prevent their dissipation, very seldom remain long in the same family." We know one aspect of this simple truth in the expression, "rags to riches and riches to rags in three generations."

Adam Smith perceived the general benefit to the whole society of man's acquisitive nature if given full rein in a competitive environment; whereas Marx, working with Aristotle's faulty premise of no gain from trade, pre-

dicted wrongly that the unpropertied proletariat would be ground into misery by the proliferating industrial and mercantile classes as division of labor and development of markets grew apace.

Government interference

All nations do not prosper to the same degree. Why? Smith attempted an answer in Book III of his treatise, entitled "Of the Different Progress of Opulence in Different Nations." Essentially his answer was that economies develop in three natural stages—first, an agrarian stage, then a manufacturing stage, and then a foreign commerce stage. A nation's prosperity could be diminished by a government's intervening in the economy for political reasons and imposing obstacles to trade, either foreign or domestic. Such intervention upset the "natural order" of economic development. Smith's particular reference was to the extensive system of government-established exclusive trading companies in his day. A leading example was the East India Company, which attracted too much British capital into trade with her colonies, leaving too little to devote to her trade with the rest of the world.

So it is not surprising that Smith espoused freedom for the American colonists—not on political, but on economic grounds. He noted that British trade with America and the West Indies was insecure "and the returns peculiarly infrequent." Moreover, the state monopoly of the colonial trade overdeveloped that trade and left underdeveloped trade with the rest of the world. In Smith's words, "Great Britain resembles one of those unwholesome bodies in which some of the vital parts are overgrown and which, upon that account, are liable to many dangerous disorders scarce incident to those in which all the parts are more properly proportioned." In his view, proper proportioning would follow the institution of free trade, unhampered by government interference.

Smith explained how some nations become "opulent," although in different degrees. But how explain the fact that many nations, in his day and in ours, are impoverished?

In simplest terms, the explanation is that in such countries the labor supply grows faster than the supply of land and capital: "In a country fully peopled in proportion to what either its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers. . . ."

This statement contained the essence of the famous Malthusian Law of Population (that population grows faster than the food supply) and its corollary, the Iron Law of Wages (that wages tend to fall to the subsistence level). Both of these propositions rest on the principle of diminishing returns (that output grows less rapidly than employment).



Dr. Landry is administrative director of the Economic Analysis and Study Group at the Chamber of Commerce of the United States.

These were gloomy propositions, but Smith accentuated the positive in his book and devoted very little space to the negative facts of poverty in some nations. He was struck by history's demonstration that men in pursuit of gain cause wealth to grow—not only their own wealth, but the wealth of the entire nation, provided competition is keen and is unhampered by monopoly, either public or private.

This great truth provided the rising middle class of tradesmen with the argument needed to throw off the shackles of excessive government control of the economy. In this respect, the doctrine of social benefit through private acquisitiveness was truly radical, compared to Marx's theory of class struggle and exploitation of the proletariat that echoed Aristotle's ancient and faulty no-gain-from-trade argument.

What Smith overlooked

Smith could be excused for his preoccupation with the advantages of trade vs. no-trade and the fact that wider markets lead to more efficient use of labor through more specialization. His objective was to demonstrate that close government control of economies impeded economic progress. He could also be excused for overlooking the business cycle, since this is an ailment of highly industrialized societies.

However, he is subject to criticism, as is Malthus, for overlooking a key element in economic progress. This key element is innovation, which explains, along with accumulation of capital and economies of scale, why the Malthusian specter of overpopulation and the Iron Law of Wages have not haunted the industrialized West, unlike the underdeveloped countries.

Were Smith alive today, he would recognize most of the salient features of 20th century economies, especially the growing internationalization of business. But he would probably be puzzled by most of the social legislation of the past 40 years, including fair labor standards, Social Security, Medicare, Medicaid, unemployment compensation, deposit insurance, equal employment opportunity, equal credit opportunity, environmental

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protection, truth in lending, fair credit billing, fair credit reporting, and a welter of tax measures.

Nevertheless, Smith believed that government played an important role in society. Government was needed to provide national defense, to promote commerce through public works, to provide public education, and, above all, to establish a system of justice, needed to ensure the security of private property. He discussed these matters in his Book V, entitled "Of the Revenue of the Sovereign or Commonwealth."

Need for public works

He observed that national defense and a standing army are most necessary in "an industrious, and upon that account a wealthy nation," since less wealthy neighbors are likely to attack her, and "the natural habits of the people render them altogether incapable of defending themselves."

Smith emphasized that facilitation of commerce through public works was an essential government function. The expense of construction and maintenance of such public works as roads, bridges, canals, and harbors should be defrayed from special user charges rather than being financed through general revenues—shades of today's federal highway trust fund! Protection of a nation's foreign commerce required maintaining ambassadors and consuls abroad as well as a navy to protect shipping from pirates. In barbarous lands like Hindustan, forts had to be constructed, manned, and supplied to protect stored goods.

As in the case of public works, Smith believed that "the institutions for the education of the youth may . . . furnish a revenue sufficient for defraying their own expense." In contrast, heavy dependence of schools and colleges on endowment income "necessarily diminishes more or less the necessity of application in the teachers." Smith found accordingly that English public schools where the teachers depended on fees from their students were less corrupt than the universities with endowments.

But what was the purpose of education? Smith was ambivalent in his answer. On one hand, he criticized

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public education institutions which, being financially independent, taught subjects that were "a mere useless and pedantic heap of sophistry and nonsense." In contrast, women's education was excellent, because women did not attend universities and were only taught "what their parents or guardians judge it necessary or useful for them to learn."

On the other hand, Smith acknowledged that the very division of labor so essential to the growth of trade destroyed the intellectual, social, and martial virtues of workers unless government took pains to prevent the stupidity and ignorance incident to such dulling pursuits. So Smith was torn between favoring an educational system that was entirely practical and vocational and one that featured the liberal arts. His concern was a modern one.

Justice and property

It was in his discussion of a system of justice that Smith excelled, because he highlighted the necessity for civil government to protect the institution of private property. "It is only under the shelter of the civil magistrate that the owner of . . . valuable property, which is acquired by labour of many years . . . can sleep a single night in security. He is at all times surrounded by unknown enemies, whom, though he never provoked, he can never appease, and from whose injustice he can be protected only by the powerful arm of the civil magistrate."

But because the magistrate needed to be protected, too, the judicial branch of the government should be separate from the executive branch.

All in all, "The Wealth of Nations" is a philosophical document reflecting the 18th century's great faith in a natural ordering of man's affairs. Smith's treatise is encouraging in its testimony to the values of competition and enterprise and full of insights into the need for government in certain well-defined areas—national defense, promoting commerce, public education, and administering justice.

Being a product of its time, however, "The Wealth of Nations" sheds little light on important business-government relations that currently

preoccupy leaders in both business and government. Examples are environmental protection, energy development, product safety, equal employment opportunity, occupational safety and health, product labeling, truth in advertising, participatory management, land use, and, in general, growing public emphasis on the social responsibility of all our institutions, including corporate business.

Costs vs. benefits

New relations between business and government may have to be forged to solve some of the social responsibility problems that today impose costs on business that must, in the competitive process, be passed on to consumers. The undoubted benefits of a more open, better informed, cleaner, healthier, and more equitable society are, like all benefits, proving to require the use of human and other resources directed to these benefits. And devotion of scarce resources to such ends calls for cost/benefit analyses to determine relative priorities.

There are surprises in store for those who have not yet read "The Wealth of Nations," but who have heard Smith praised as the father of the enterprise system.

He was indeed the earliest exponent of competitive enterprise. But he was also a learned, thoughtful, and philosophical observer of government-business relations, which he viewed in the larger context of the whole society. This is a modern viewpoint, as is the emphasis throughout his book on what is basically cost/benefit analysis.

After the initial public furor attending such contemporary socioeconomic questions as environmental protection, consumerism, energy independence, and the like, we are gradually settling down to evaluate the trade-offs that have to be made to gain more of certain beneficial things—such as a cleaner environment.

Two hundred years ago, Adam Smith discussed the principles involved in these painful decisions. He realized that a better social environment has costs as well as benefits and that these costs must be shouldered ultimately by the public. This is the Adam Smith few people know. □

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Bosses, Baboons, Brains, and the Bicentennial

BY DR. CARL H. MADDEN



"Next, alas, we find that, in this meaning, boss is 'a protuberance on the body of an animal or plant; a convex or knoblike process.'"

ARE BOSSES really necessary? That is to say, do bosses, in fact, contribute positively to human welfare?

One place to start, especially to remind people of one's academic background, is with dictionary meanings. The word boss is entered in the "Oxford Universal Dictionary" just after the word bosomy, which, as of 1611, meant "full of sheltered hollows." Is that juxtaposition mere coincidence?

In one meaning, the word boss itself comes from the Middle English boce, or bos, which was adopted without change of form or pronunciation from the Old French. After a few more abbreviations, which we can omit, comes the puzzling news in brackets: "[In Middle English, boss and botch are partly synonymous.]" Did the Middle English know something we did not realize about bosses?

Next, alas, we find that, in this meaning, a boss is "a protuberance on the body of an animal or plant; a convex or knoblike process." Now, I have heard bosses called all sorts of things, but never protuberances.

Bellies and plaster

After a good deal of further reading, we learn more. A boss may be something like a Middle English botch (if not a modern botch), a kind of knoblike protuberance, convex, as it were.

It may also, however, be "a water conduit, running out of a gorballed

figure as in the Boss of Billingsgate."

A gorballed figure, by the way, in case you may have forgotten your basic gorbally shape, is either (1790) "a protuberant belly" or (1530) "a person with a protuberant belly." Also, we learn that a boss may be "a plasterer's tray, a hod," and you remember that is what a plasterer holds in one hand while he flings plaster onto it in gooey piles, scrapes the plaster around, and the like. And, too, as of 1695, a boss could mean, as a corruption of bass, "a seat of straws, a hassock."

Only after all that does my "Oxford Universal Dictionary" get to the

common meaning of the word boss. It observes that about 1822 in the U. S. the word boss, as a slang expression, came to mean "a master; a business manager, anyone who has a right to give orders." This was shortly before the era of laissez-faire began, around 1836, with the Free Banking Act in New York and state general incorporation laws that led to a multiplication of bosses.

Behavior of baboons

Another approach to the question of whether bosses are necessary is to seek the evidence of anthropology. The behavior of monkeys and apes has always held great fascination for man. In recent years, this ordinary curiosity has combined with the anthropologist's desire to understand human behavior. Studying the evolution of primate social behavior helps us to understand human behavior, since the development of man's social behavior has played an integral part in his biological evolution.

The answer given by research into primate social behavior is that bosses seem to be necessary. A classic account is the one in a 1961 "Scientific American" article by Washburn and Devore. They studied baboons to gain insights into the social behavior that characterized the ancestors of man a million years ago. They studied 30 troops of baboons, made up of 40 to 80 individuals each, in their natural setting in Africa.



DRAWINGS:
PETER BUTTON

"The behavior of monkeys and apes has always held great fascination for man. . . . Studying the evolution of primate social behavior helps us to understand human behavior."

They found that "the social behavior of the baboon is one of the species's principal adaptations for survival."

And they found that the adults in a troop are arranged in a dominance hierarchy. The more dominant males, as it were, get feeding and resting positions of their choice. They are more frequently groomed by others than they groom others.

When a dominant animal approaches, lesser animals move out of the way. If food is tossed between two baboons, the dominant one will take it, whereas the other may not even look at it directly.

Peace and popularity

Status among male baboons in the dominance hierarchy depends on physical ability, fighting ability, and relationship with other males. A few dominant males in some troops stay together a lot, and if one is threatened, the others back him up. The few male dominants outrank any individual, even though another male outside the group could defeat any member of it separately.

The cluster of dominant males decreases disruptions in the troop. Dominant animals will not allow others to fight back. They stop the bickering of others by threat-posturing. They thus protect weaker animals against harm from inside, as well as outside. Conclude the authors: "So, although dominance de-

pends ultimately on force, it leads to peace, order, and popularity."

Today, anthropologists are studying the social behavior of animals more intensely. Studies range from the pioneering work of Jane Goodall, which has gone on for 15 years in the hills of the Gombe Stream Chimpanzee Reserve in Tanzania, to the recent studies by Diane Fossey of gorillas in the mountain rain forests of Rwanda, to the studies by still others of orangutans in Borneo.

Anthropologists now realize that social behavior of the higher primates is more complex than a rigid dominance theory might suggest.

Nevertheless, all the studies show the prevalence of dominance and leadership as a means of group order and survival.

Indeed, the prevalence of hierarchy is widespread in all animal life. In every animal species in which there is a social organization—ants, bees, and so forth—there is a hierarchy with dominance-submission relationships.

Mystery and the human brain

The mystery of profound relationships in human life only seems to deepen as knowledge grows. A brilliant "Time" magazine essay on leadership, in July, 1974, acknowledged that, much as we have studied the subject through the years, almost nothing is known for sure about what it takes to make a leader.

That is why the question of brains remains intriguing. "Harper's Magazine," of December, 1975, tells about "The World of the Brain." The human brain is "a gelatinous three-pound lump of fat, connective tissue, spinal fluid, veins, and nerve cells—the last generating some 25 watts of total power." The brain guzzles a pint and a half of blood a minute. No matter what happens to the rest of the body, the brain takes its nourishment first. One minute without oxygen or glucose means unconsciousness; eight minutes mean death.

The brain is divided into halves down the middle from front to back. The left side controls the right side of the body; the right side controls the left side of the body. Each half can also be divided from back to

"The reptilian brain . . . governs 'gut' reactions, ritual behavior, courting and mating activity, the ability to find one's way home . . . and the sense of being a leader or a follower."



front into three sections. Each of these sections is a legacy from a different epoch of man's evolution.

Back to the reptiles

Closest to the spinal cord is the brain stem. It is known as the "old" brain, or "reptilian" brain—because reptiles have brains like this that do similar things. Above and in front of that is the limbic brain, or "smell" brain, or "old mammalian" brain. On top of that brain, completely enveloping it and dominating its appearance, is the heavily convoluted cerebral cortex, also called the cerebrum, or "new mammalian" brain.

The brain stem—the reptilian brain—goes back in evolution some 200 million years. It seems to have the same functions in all vertebrates. It governs "gut" reactions, ritual behavior, courting and mating activity, the ability to find one's way home, rapport with other animals, and the sense of being a leader or a follower. Says "Harper's," for what it may be worth: "It has even been suggested that a politician's charisma is a function of his reptilian brain."

Researchers are trying to explore systematically the implications of new knowledge about the brain and its functions. However, for our purposes, we can see that recent study of the human brain, as well as

of animal behavior, attests to the ancient and powerful origins of hierarchical social relations and dominance-submission relations in the human race.

In other words, bosses seem to be made necessary not only by the behavior of man's ancestors, but also by the functioning of man's reptilian brain.

Cerebral bamboozlement

But, of course, man does not live by his reptilian brain alone, even though all of us have known cases in which "gut" reactions, ritual behavior, courting and mating activity, rapport with others, and the sense of being a leader or follower come close to exhausting the recognizable activity of some people. Indeed, concerning these people, we also sometimes wish they had sharpened a little more their ability to find their way home, taking their charisma along with them.

Because man does not live by the "old" brain alone, however, dominance-submission relations throughout history have often been overlaid with what can be called cerebral bamboozlement. Few of us can read such books as "Parkinson's Law" or "The Peter Principle"—or, in fact, withstand very much of the mumbo jumbo of modern personnel doctrine

—without looking about ourselves to see whether our pocket has been picked. After that, some of us may even study these modern Machiavellis to learn more about how to climb the ladder up the hierarchy.

How hierarchies grow

It is worth a moment or two to remind ourselves of what these modern satirists say about how hierarchies grow.

First, work expands so as to fill the time available for its completion. The number in a hierarchy thus may not be related to the quantity of work.

Second, the law of triviality holds that the time spent on an agenda item will be in inverse proportion to the importance involved.

Third, committees are organisms; they take root, grow, and multiply.

Fourth, superiors tend to multiply subordinates by dividing the work, thus introducing a bureaucratic disease referred to as "induced inferiority," also called inelitis.

These laws and others are the discovery of C. Northcote Parkinson, then Raffles professor of history at the University of Malaya, in his 1957 book, "Parkinson's Law."

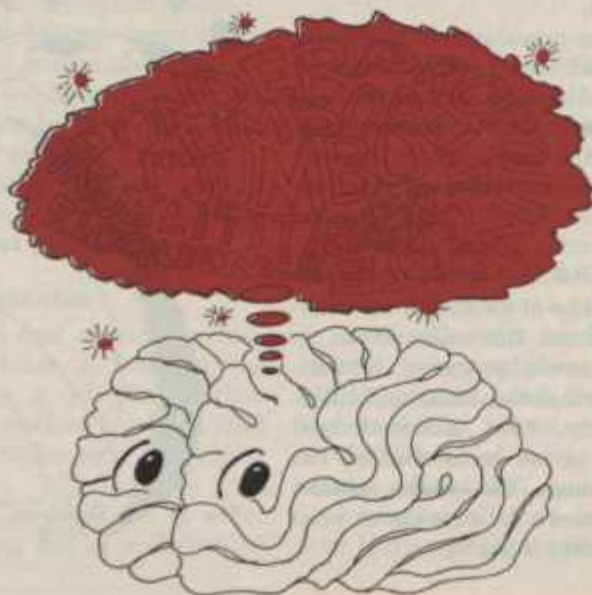
Why so much goes wrong

Raymond H. Hull took this line of inquiry further, with the help of an innovative colleague, Dr. Laurence J. Peter, a man whose major work has been with autistic children and the deaf. The Peter Principle holds that in a bureaucracy people are promoted to the highest level of their incompetence. This explains why so much goes wrong in modern life, and, of course, Dr. Peter puts together a great deal of evidence supporting the view that much does indeed go wrong in modern life.

Dr. Peter explores not only the workings of the Peter Principle in raising incompetence to its highest level, he also explores the politics and psychology of hierarchiology and the pathology of hierarchical success. He even propounds a doctrine—not so easy to grasp—of creative incompetence, a means by which each of us can avoid the ultimate promotion.

Finally, there is now a handbook

"Dominance-submission relations throughout history have often been overlaid with what can be called cerebral bamboozlement."





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The AMC logo consists of a stylized slanted rectangle to the left of the letters "AMC" in a bold, sans-serif font.

for bureaucrats, prepared by James H. Boren, and though its title may seem frivolous, it contains much solid material. The title is, "When in Doubt, Mumble." It is impossible to do justice to Boren in a brief space. He has, for example, formulated the maxim, "When confused, delegate." He explicates bureaucratic skills in communicating, such as how to issue the call to inaction, how to mumble with professional eloquence, how to master the art of pondering, and how to write the all-purpose speech—the ghostwriter's dream speech.

His advice to federal agency heads in testifying before Congress comes in cartoon form: "Smedley, the next time Proxmire asks about agency spending, don't start off by saying, 'Senator, would you believe...'"

Ritualistic legitimacy

Behavior patterns derived from dominance-submission relations and the threat posture have been made fantastically elaborate by man. Among baboons and gorillas, the posture appears to be very ominous, but, for reasons of troop survival, it almost never produces any harm. It consists of whomping on the chest, letting fly a few bloodcurdling screams, flashing quite a few large and shiny teeth, and rushing at the victim, only to veer away at the last instant. Football linebackers, such as Dick Butkus or Ray Nitschke, illustrate the posture, but they hardly stop at posturing, as any former NFC running backs will tell you.

In the life of man, where brute physical intimidation is practiced seriously by terrorists, gangsters, cops, prison inmates, street criminals, and others in peacetime and by soldiers at war, behavior surrounding dominance and the threat posture throughout history has tended to be shrouded in a vast overlay of ritualistic legitimacy. This legitimacy has been given to various kinds of boss-men and boss-women—witch doctors, priests or priestesses, shamans, sun-gods or goddesses, kings or queens, nobles, and chieftains.

Elaborate theologies of many settled cultures, from ancient Chinese dynasties to the mysterious Mayan civilization, have assured the magical or divine origin and legitimacy of



"As the United States retreats from its peak as a world power, Freedom House estimates that barely 20 percent of the world's people now live in free societies."

specific forms of dominance-submission behavior. Viewed from the safe distance of the present, these past tapestries of power, in part, seem to be the essence of cerebral bamboozlement. It is as if among the ancient priesthood and nobility there were, so to speak, a lot of sly crocodiles ready to eat the unwary, the weak, the ignorant, the innocent.

The triumph of reason

But close up, in our own civilization, the dominance-submission issue has been deadly serious. Our bicentennial celebrates, among other things, the triumph of reason over ritualized religion in rejecting the divine right of kings and asserting the rights of man. Witness Thomas Jefferson's last written words, penned June 24, 1826, to celebrate the Fourth of July, on which he died:

"All eyes are opened, or opening, to the rights of man. The general spread of the light of science has already laid open to every view the palpable truth that the mass of mankind has not been born with saddles on their backs, nor a favored few booted and spurred, ready to ride them legitimately by the grace of God."

This is our bicentennial year, our celebration of a revolution. It is a revolution that, above all, asserts the

value of giving ordinary men and women wider and wider personal opportunities. It is a revolution that rejected the sacredness of bosses, necessary as they may be. The chance for freedom, for an education, for freely taking part in public life, and for increasing our material well-being by working at jobs we choose—what a priceless heritage!

How ironic it is that, as the United States retreats from its peak as a world power, Freedom House estimates that barely 20 percent of the world's people now live in free societies—only two dozen of the world's 150 nations can fairly be called democratic or capitalist.

Leadership in new hands?

This is our bicentennial year, our celebration of a revolution. Yet, are we bereft of revolutionary ardor for the rights of man, well along the road "The Economist" of London sees us moving down? "The Economist" says:

"Two great empires have ruled the two centuries of industrial advance—the British from 1776 to 1876; the Americans from 1876 to 1976. But the Americans, on the eve of this third century, are showing the same symptoms of drift from dynamism as the British did at the end of their century."

"World leadership is therefore liable to pass into new hands quite early in the century 1976-2076. America's contribution in its third century will depend largely on how its three main institutions evolve in or out of pace with the changing times. These three main institutions are its business corporations, its government, and its mechanism for living together."

The left and man's rights

As America risks losing a sense of its own significance, it is the socialist states, armed to the teeth, that impose on their own citizens a rigid hierarchy of dominance that sneers at the rights of man. Years ago, Stephen Leacock, the Canadian essayist and economist, said about socialism:

"Socialism merely means everybody working along with everybody else for everybody's good, in cheerful



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cooperation and equality instead of each selfishly working for himself in a world of inequality and injustice."

Unprecedented tyranny

It is surely queer of history that the idealistic and sophomoric dream of socialism has spawned tyranny of unprecedented scope, with a Gulag Archipelago of 40 million to 80 million people submitted to the iron will of a state which was supposed to wither away. It is surely queer of history that an ideology rejecting inequality in the economic system has spawned such unrelenting dominance-submission relations of the proletariat few to the supine masses.

Contrary to "The Economist," I believe that the blessings of liberty have only just begun to flow in this land.

To be sure, we are a minority in the world. To be sure, we are a young nation in the family of nations.

A move toward the light

Ours, however, in the long evolution of mankind from the reptilian brain of 200 million years ago, to the dawning social behavior of ancestors a million years ago, to the palpable truth of Thomas Jefferson's rights of man, has been a move toward the light. The Declaration of Independence rings down the centuries on behalf of reason over ritual.

Our free government embodies the paradox of force and persuasion, for coercion—the opposite of freedom—is the essence of government. We do not deny that paradox. Instead, we seek a form of government that, so far as possible, protects freedom of thought and action by coercing those who would deny such freedom to others. We and our Constitution seek to secure conditions favorable to people in their individual pursuit of happiness.

We live in a society where, after 200 years under the same form of government, any person can aspire to be a boss or can seek to be his or her own boss. ☐

DR. MADDEN is chief economist of the Chamber of Commerce of the United States. Reprints of this article are available from Nation's Business. See page 73 for details.

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How the Constitution Supports Private Enterprise

BY JAMES MUSSATTI



THE CONSTITUTION of the United States is a prime bulwark of the American incentive system.

The American Revolution was fought, not alone for political and individual freedom, but for economic freedom as well.

As we celebrate our bicentennial, we can be thankful that the concepts of individual and economic freedom and the benefits of private enterprise were understood by those who framed the Constitution.

A close look at the Constitution will show how it serves the best interests of business.

Little peace after war

The situation at the end of the Revolutionary War was far from peaceful. The demand for food and supplies had greatly raised the price levels in our country, particularly for agricultural products. By the end of the war, there was a drastic deflation. Shipbuilding was deeply depressed. Unemployment was high. Discontent was widespread.

There was great confusion. New York taxed firewood from Connecticut and the food that came from the New Jersey farms. Connecticut merchants, in return, refused to sell any more goods to New York. New Jersey placed a heavy tax on a lighthouse which New York had built on New Jersey land. A paper-money craze swept across the country.

The inadequacy of the Articles of Confederation was apparent to most

More than 1.3 million visitors are expected to see the original copy of the Constitution this year at the National Archives in Washington.

thinking men. Plainly, the existing Congress, under the Articles, was not vested with enough power to carry on the government.

Faced with fiscal bankruptcy, domestic disorder, and the possibility of foreign attack, men like Washington, Madison, Hamilton, and Gen. Knox spearheaded a movement to change things.

The Constitutional Convention was convened in Philadelphia in May of 1787. On Sept. 17, the convention completed its work and gave the world the Constitution of the United States.

Thus it was that the United States became the one country in the world where government was founded on the basic premise that each individual has the right to life, liberty, and property. Into the Constitution and the first ten amendments to the Constitution, adopted four years later, were written the basic principles that provide for individual freedom and incentive.

The founders believed in the natural rights of man. They believed that the individual is more important than the government. To them, the only justification for the existence of

the government was to the end that the state might be able to serve the individual so that the individual could enjoy the right to life, liberty, and property.

As a result of these basic beliefs, the Constitution was written so as to contain eight basic principles which serve to protect individual and economic freedom, and thus to serve the best interests of private enterprise.

Checks and balances

The first basic principle of the Constitution is the separation of powers and the system of checks and balances.

Influence of the state constitutions and colonial experience are clearly shown in the adoption by the convention of the doctrine of separation of powers. The Constitution established the three departments—executive, judicial, and legislative.

Congress can make a law but cannot execute it. The President can execute the law but cannot make it. The courts can interpret the law but can neither make nor execute it.

Experience with the separation of powers had taught the framers of the Constitution that each department of

government could not exist rigidly independent from the others. Therefore, they developed a system of checks and balances whereby each department of government served as a check against the other. The President checks the Congress through his power to veto. Congress serves as a check against the President by the power to override his veto and by the senatorial power of ratifying appointments and treaties.

The courts' power to rule on the constitutionality of laws passed by Congress and signed by the President is the judiciary's check on the other two branches of government. At the same time, Congress's authority to define the appellate jurisdiction of the Supreme Court is a check on the judicial branch.

Origin of states' rights

The second basic principle of the Constitution is the principle of dual government—that is, a national government and state governments, each sovereign in its own sphere.

The debates of the Constitutional Convention clearly show the delegates' fear of centralized government. They conferred on the national gov-

14 Ways the Constitution Helps Business

Briefly, here is what the Constitution does for the enterprise system:

1. The structure of the Constitution, through its division of the three departments and the concept of limited government, protects enterprise from arbitrary and tyrannical government.
2. The financial clauses of the Constitution guarantee a fairly stable monetary system.
3. Thanks to powers the Constitution confers on Congress, laws on bankruptcies are uniform throughout the United States.
4. The federal government fixes the standard of weights and measures.
5. The federal government punishes the counterfeiting of securities, paper money, and coins of the U. S.
6. The federal government provides

for patents and copyrights to promote the progress of science and the useful arts.

7. The federal government establishes due process of law, not only for individuals, but for enterprise as well. This is a private right which many times has enabled business to fend off the interference of states. No property can be taken without due process.

8. The sanctity of contracts is established by the clause in the Constitution which provides that no law can be passed impairing the obligations of a contract.

9. The privilege of habeas corpus is available to private enterprise.

10. The Constitution forbids arbitrary imprisonment or seizure of pos-

sessions. It compels resort to legal procedures and restrains public officials from acting without legal sanction.

11. The Constitution recognizes the right to lawful use of private property. Like an individual, an enterprise can have its day in court. This is of vital importance to private enterprise.

12. No tax or duty can be levied on an article exported from any state.

13. No ex post facto law can be applied against enterprise.

14. Each state must give "full faith and credit" to the public acts, records, and judicial procedures of every other state.

It can be fairly stated that the Constitution of the U. S. A. is the Magna Carta of private enterprise.



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ernment all the powers necessary to make it an effective government. The Tenth Amendment later reserved to the states all those powers that had not been delegated to the national government.

Doctrine of limited powers

The third principle of the Constitution is the doctrine of limited powers. The feeling had grown in colonial times that it was necessary to limit the powers of government in order to preserve liberty.

The Constitution has many more provisions on what the government cannot do than it has on what the government can do. This principle of limited government was regarded as important because it was needed to protect religious, economic, individual, and political liberty.

Supremacy of national law

The fourth principle of the Constitution is the supremacy of national law. Within the sphere of its governmental purpose, the federal government is supreme. No state can pass a law contrary to the Constitution or in conflict with federal law, for the Constitution says:

"This Constitution, and the laws of the United States which shall be made in pursuance thereof; and all treaties made, or which shall be made, under the authority of the United States, shall be the supreme law of the land; and the judges in every state shall be bound thereby, anything in the Constitution or laws of any State to the contrary notwithstanding."

Judicial review

The fifth principle of the Constitution is the doctrine of judicial review, or the right of the Supreme Court to pass upon the constitutionality of the actions of government.

If one is to live under a government of limited power, then somewhere within the structure and within the operation of the government must be vested the authority for corrective action when the limitations of the government have been violated and the life, the liberty, or the property of an enterprise or an individual has been denied.

While the Constitution does not

specifically give federal courts the right to declare laws unconstitutional, that authority has been accepted as an implicit part of our national charter since the Supreme Court, in the famed case of *Marbury vs. Madison* in 1803, first declared an act of Congress void.

A rule for the courts

The Constitution was contemplated by the framers as a rule for the courts as well as the legislatures. All the justices of the Supreme Court have taken an oath to support, protect, and defend the Constitution. Therefore, the courts are bound by the Constitution. Whenever an act of Congress purporting to be a law is in conflict with the Constitution, in the judgment of the court, it is the duty of the judges to declare it repugnant to the Constitution.

So the doctrine of judicial review has been firmly established in the United States. The Supreme Court has become the guardian of constitutional principles and the preserver of liberty under the Constitution. Whenever the nation desires to appeal from a decision of the court, it can do so through the process of amendment; and this it did in the case of the Eleventh, Thirteenth, and Sixteenth amendments. As long as the doctrine of judicial review remains a part of our legal system, the restraints and limitations of the Constitution will prevail and the government will be orderly under law.

Orderly method of change

The sixth principle of the Constitution is the process of change. Provision is made so that, by the process of amendment, changes can be made in the Constitution. As long as this principle is maintained, there is no need for revolution or other extralegal device.

Our Constitution gives us an orderly and legal method of adjusting the powers of government to the will of the people. Twenty-six amendments have become a part of the Constitution.

Preservation of freedoms

The seventh principle is that of the preservation of religious, economic, individual, and political freedom.

The adoption of the first ten amendments reinforces this principle.

The first ten amendments have played an important part in preserving the rights of individuals and the rights of states; hence their importance in our constitutional system. As Justice Frankfurter well put it in a case before him: "The first ten amendments to the Constitution, commonly known as the Bill of Rights, were not intended to lay down any novel principles of government, but simply to embody certain guarantees and immunities which we had inherited from our English ancestors. . . ."

These amendments were originally intended to limit directly and solely the national government, not the states. However, decisions of the Supreme Court now hold that all the liberties guaranteed by the Bill of Rights are considered as part of the guarantees of liberty and due process in the Fourteenth Amendment.

Hence, these amendments which affect our liberties operate on both the state and national governments.

Republican form

The eighth principle of the Constitution is that it guarantees to each state in the union a republican form of government.

When the Constitution went into operation, all the states had state constitutions. The governments they set up were not changed by the federal Constitution; they were accepted as they were.

The importance of this eighth principle is that the form of government must yield to the will of the people. A republican form of government can be changed, but change is sufficiently difficult as to provide for stability.

Thus, with these basic principles of the Constitution, private enterprise in America has the best charter of freedom in the world. □

MR. MUSSATTI, general manager of the California State Chamber of Commerce from 1939 to 1962, is a former professor of American history at the University of Southern California and the author of three books on the Constitution. Reprints of this article are available from Nation's Business. See page 73 for details.



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Good Business Outlook Through 1977

Three out of four business leaders in a Nation's Business survey say profits are increasing at their companies. Eight out of ten see the economy continuing to improve next year



J. Kevin Murphy, president and chief executive officer, Purolator Services, Inc., New Hyde Park, N. Y., says the economy will go up because the administration won't permit it to go down in an election year.

THE PRESENT BRISK business upturn will continue throughout this year and through 1977 as well.

That's the overwhelming opinion of business executives taking part in the latest NATION'S BUSINESS quarterly outlook survey.

Eighty-three percent say they look for the economy to continue to improve in the third quarter. Only 15 percent look for a leveling off; two percent expect the pace of business to diminish.

Looking to the coming year, 75 percent say the business outlook is good; three percent say it is excellent; six percent expect business in 1977 to be about equal to this year's.

Pessimists are few. Only five percent look for business to taper off next year.

The outlook

Here is the response to individual survey questions:

• "How did your first half sales hold up? Higher or lower than 1975's first half?"

Seventy-six percent say higher; six percent say about the same; 16

percent say lower; two percent declined to estimate.

• "How did your 1976 profits for this period compare with 1975's first half profits?"

Seventy percent say profits this year were higher; 22 percent say lower; six percent say about the same; two percent did not answer.

• "Will your second half sales be better than your sales in the first half of 1976? Will your profits be better in the second half than in the first?"

Seventy-five percent say second half sales and profits will be up; six percent say both will be down; ten percent say both will be about the same. Five percent expect sales to be up, but profits about the same. Four percent made no estimates of sales or profits.

• "What is happening to your labor costs? Going up substantially or slightly, or dropping?"

Sixty-four percent say labor costs are up substantially; 35 percent say up slightly; one percent failed to reply. None say labor costs are dropping.



Robert H. Morris, chairman, Johnson Bronze Co., New Castle, Pa., says his customers give him an encouraging outlook for the third quarter, but his labor costs are "rising substantially."



Dr. James G. Affleck, chairman and president, American Cyanamid Co., Wayne, N. J., foresees increasing demand, coupled with adequate capacity, improving the economy during the third quarter of the year.



A. Addison Roberts, chairman, Reliance Insurance Co., Philadelphia, is discouraged by "high unemployment, modest bank loan demand, and high union wage settlements," but he feels business will improve.



H. J. Haynes, chairman, Standard Oil of California, San Francisco, says the economy will improve by five percent in the third quarter over the same quarter of 1975. Labor costs are up, however, and he fears more inflation.



W. L. Lyons Brown, Jr., president and chief executive officer of Brown-Forman Distillers Corp., Louisville, Ky., says: "Inflation is still a serious problem, not entirely recognized by Congress."

• "Will you increase or decrease your company's capital investment in 1977?"

Sixty-three percent say they will increase spending; 17 percent say decrease; 20 percent say capital spending will stay about the same as this year's outlay.

• "What, in your opinion, will the rate of inflation be by the end of 1976?"

Answers vary widely, although 62 percent of the estimates run from five to eight percent.

The bright side

NATION'S BUSINESS also asked: "What do you consider the most encouraging aspect of the economy today?" and "What is the most discouraging aspect of the economy today?"

Here is what executives say they find most encouraging:

Increased consumer spending and confidence.

The Ford administration's policy of trying to hold down government spending.

Anti-inflationary monetary policies of the Federal Reserve Board.

Slowing of inflation here.

Increased sales of new cars.

The growing number of employed.

Trimmed inventories.

What discourages them most, business leaders say, are:

The threat of higher inflation in the future without real economic growth.

Greedy labor leaders and rising labor costs.

Increasing deficit spending by both the federal and state governments.

Unsolved energy problems.

Failure of elected government officials, especially congressmen, to exert more control over inflation.

Growing government interference with business.

A continuing high level of unemployment.

Happy, but . . .

Here are some individual views on the state of the economy and what most concerns businessmen today.

C. L. Burton, executive vice president of Anchor Post Products, Inc.,

Baltimore, says he is most encouraged by the "beating that socialist countries (England) are taking." He is optimistic on the business outlook for the nation and for his firm, but he sees a ten percent rise in labor costs at Anchor.

George S. Eccles, chairman and chief executive officer of First Security Corp., Salt Lake City, says: "We feel the recovery is on a very sound foundation and see no reason to expect a leveling off or downturn in the third quarter." In the first half, volume at his company was up more than ten percent; profits, also, were higher than the year before.

John W. Hannon, Jr., president of Bankers Trust Co. and Bankers Trust New York Corp., New York, says the economy will continue up. He cites these reasons: "Strength is broadening, and both business and consumer confidence are improving." He expects loan demand to pick up during the second half and Bankers Trust profits to improve. Two encouraging factors to him are the slowdown in inflation and the rebuilding of liquidity. By the end of 1976, he believes the inflation rate will be "in the range of six percent."

Edwin J. Spiegel, Jr., chairman and president of Alton Box Board Co., Alton, Ill., intends to increase his company's capital spending next year on the strength of a promising outlook for business during the remainder of this year and in 1977. His estimate of the inflation rate by the end of 1976 is six percent.

If the Arabs cooperate

Herbert S. Richey, president of The Valley Camp Coal Co., Cleveland, and chairman of the Chamber of Commerce of the United States, says the nation's economy will "go up slowly" in the third quarter because indications are that "energy requirements are picking up, and this means better times, unless the Arabs cut us off again." He says his company's "labor costs are increasing and will continue to increase, particularly in early December when, under the union contract, there is an additional pay raise."

F. Perry Wilson, chairman and chief executive officer of Union Carbide Corp., New York, says he ex-

pects "continued strengthening of the general economy, particularly strength in capital goods spending, residential construction, and auto production."

GNP expanding

Walter S. Holmes, Jr., chairman, C. I. T. Financial Corp., New York, says: "We expect GNP to continue to expand in the third quarter. Inventories are relatively low, interest rates are moderate, inflation currently is in check, and consumer spending is trending higher. All of these factors should contribute to more favorable business conditions."

John R. Seydel, chairman of AZS Corp., Atlanta, looks for an improving national economy "as long as spendable income and earnings gains increase faster than inflation." Sales during the first half at his chemical company were 20 percent higher than in 1975, and he expects profits for the same period to be ten percent better than last year.

A. Byron Reed, president and chief executive officer of Munsingwear, Inc., Minneapolis, is encouraged by

high employment, the dropping inflation rate, and increased consumer spending. However, he foresees "the possibility of returned inflation if Congress does not control government spending."

Robert J. Prata, treasurer of Keene Corp., New York, says thus far this year his company's profits are running higher than in 1975 "as a result of increased sales and related productivity increases." He says interest costs are also lower. By the end of the year, he expects inflation to be down to five to six percent.

Consumers' confident mood

H. V. Wilson, vice president-finance of McCormick & Co., Inc., Hunt Valley, Md., cheers continuing improvements in consumer confidence and spending levels, "plus recovery in automobiles and housing." He sees further gains for the economy at least well into 1977.

J. J. Wozniak, vice president-treasurer of General Construction Co., Seattle, is much less optimistic than many other executives. He sees the economy leveling off in the third quarter. "Home sales will not be sufficient to sustain [the] base," he says, with a downturn in automobile sales due to a "prolonged rubber strike." He is encouraged "by low interest rates coupled with modified personal expectations." He says the "Great Society balloon has burst."

James S. Kemper, Jr., president and chief executive officer of Kemper Insurance Companies, Lake Zurich, Ill., says prospects are "excellent for business in general," and he is encouraged by the reduced rate of inflation. His company's sales and profits are up for the year.

Capital spending rising

G. Morris Dorrance, Jr., chairman of The Philadelphia National Bank, Philadelphia, sees increased expenditures for business plants and equipment spurring the economy during the third quarter. For his bank, he foresees both loan demand and profits improving significantly during the second half.

E. N. Hoekenga, chairman and president of Ryder Truck Lines, Inc., Jacksonville, Fla., reports higher sales and profits at his firm but sees



F. R. Hinckley, chairman, American Paper and Supply Co., Salt Lake City, sees real growth slowing to four or five percent next quarter and inflation rising to seven or nine percent on an annual basis.



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the distressing possibility of inflation hitting between seven and ten percent by the end of the year. His company's labor costs have gone up substantially since negotiation of a new three-year contract, effective last April, calling for 33 to 34 percent increases in wages and extra benefits.

The energy crisis

Howard N. West, a vice president and treasurer of Carter Hawley Hale Stores, Inc., Los Angeles, says sales and profits are up, but he is discouraged by the "failure to face up to a solution of [the] energy crisis." However, he sees the inflation rate dropping to five percent by the end of the year.

Earl R. Tweedie, a vice president and treasurer of American Investment Co., St. Louis, is generally enthusiastic about business prospects. However, he worries over "continued inflationary threats and growing federal deficits."

John H. Perkins, president of Continental Illinois National Bank & Trust Co., Chicago, is more optimistic, saying: "Given the current momentum being generated by consumer and business demands, there is virtually no chance that the expansion will not continue through the third quarter and actually well into 1977."

However, Edwin L. Jones, Jr., president of J. A. Jones Construction Co., Charlotte, N. C., is discouraged over the "high inventory of empty office space and unreal demands by some unions," as well as the "high cost of long-term money."

Francis N. Southworth, chairman and president of Concord National Bank, Concord, N. H., says: "General business conditions have picked up surprising strength so far in 1976. I expect some slowing in 1977. I do not expect retrogression but do anticipate the present vigorous growth will slow." He worries over "the real danger of an escalation in the rate of inflation."

Improving too fast?

Charles E. Drury, president and chief executive officer of Hayes-Albion Corp., Jackson, Mich., is happy over the "ability of most companies to show improved profits with the

economy not recovered on a balanced basis." He fears that the economy may be improving so fast "that shortages will occur, increasing costs and fueling inflation."

R. L. Boorman, corporate director of planning of Kaiser Steel Corp., Oakland, Calif., looks for a "very strong 1977 with significant increases in heavy construction and capital spending." Inflation, he says, should be about six percent by year's end.

M. G. Mitchell, chairman and president of Chicago Bridge & Iron Co., Oak Brook, Ill., deplors "more government in every activity." As for labor costs, he notes "higher wages but better productivity."

Housing weak

W. L. Wearly, chairman and chief executive officer of Ingersoll-Rand Co., Woodcliff Lake, N. J., is somewhat less sanguine, but he still sees blue skies for business. Business in general is good and should be better during 1977, he says, noting, however, that "capital investment is still uncertain and housing remains weak, although improving." □



Alan S. Donnahoe, president and chief executive officer, Media General, Inc., Richmond, Va., is generally optimistic, especially because of the "sound, modest recovery with its fairly low inflation rate."

Corporate Reports Speak Up on Public Issues

THE CORPORATE annual report is being used more and more to fight back against business's adversaries.

Two themes are receiving increasing attention:

- Defense of the American economic system.
- Criticism of the growing intrusion of government into the affairs of business.

For example, General Electric Co. says in its 1975 annual report:

"We see it as essential that the U. S. retain a strong private sector as the means by which the American people can—far more effectively than any centralized planning group—make their economic decisions known and indicate the needs they wish fulfilled."

In its opening paragraph, the current Standard Oil Co. (Indiana) annual report to shareholders asserts:

"Governmental inability to come to grips with the nation's accelerating energy problems was again glaringly displayed in 1975. Efforts to strengthen our energy bases were seriously impeded by contradictory governmental policies."

A similar complaint is voiced by the St. Joe Minerals Corp. In its latest annual report, President John C. Duncan writes:

"The ability of the mining industry to increase productive capacity and supply the raw materials and jobs needed by our society is threatened by governmental action at every level. In the context of realizing reasonable environmental goals, society will be served best by encouraging capital formation and investment in order to produce new jobs and by reducing the regulatory bureaucracy to a manageable level."

According to Corporate Annual Reports, Inc., of New York City, which helps prepare annual reports for some 30 major corporations, more and more companies are taking strong stands on public issues in their annual accounting to shareholders.

"In the past ten years, public con-



fidence in business has plunged, according to almost every poll that is taken," says William P. Dunk, executive vice president of the firm. "Many of our clients, and others as well, are anxious to turn this angry constituency into a friendly constituency."

"Also, we are finding that many companies are not as timid about attacking government as they used to be. Business has not spoken up enough in its behalf. Now that is changing."

Thus, one finds the H. J. Heinz Co. saying in its latest annual report:

"We are not encouraged when we witness government's inability to manage its own financial affairs in responsible ways. It is evident that government regulation sometimes defeats its own purpose and often requires unproductive investment without corresponding benefit to the public."

In its 1975 annual report, Gould Inc., of Chicago, saw fit to print a special message entitled, "The Perils to the Free Enterprise System," in which it noted:

"Today, not only leftists but also

responsible conservative and liberal economists are projecting pessimism about the survival of the free enterprise system as we know it."

But the company pledged to continue to support constructive efforts to improve the system's ability to deliver a better life. It added:

"We will keep trying to educate Americans to the system's benefits, and we encourage all that read this letter to ask themselves—is there a better way than the free enterprise system? If not, ask yourself what you are doing to protect it and to educate others to its proven value."

In its current annual report, The Black and Decker Manufacturing Co., of Towson, Md., concludes a two-page message on "Business Independence" with these words:

"The hour is late. It is time for the voices of those individuals favoring fiscal responsibility in government and a free business system to be heard. Business independence is in great peril, and your help is needed if it is to survive."

Complaining that it is getting progressively harder for business to do its job in the face of increasing government interference, Armco Steel Corp. cites examples of how some edicts out of Washington fly in the face of common sense. For example, to clean up a major piece of equipment which government inspectors said was emitting visible iron oxide dust, Armco installed special scrubbing equipment. The scrubber captured 21.2 pounds of the dust hourly. The 1975 annual report tells what happened:

"But the scrubber is run by a 1,020-horsepower electric motor. Producing that power at the electric utility's plant spews out 23 pounds an hour of sulfur and nitrogen oxides and other gaseous pollution. So, even though the power plant is meeting government regulations on visible emissions, the air is actually 1.8 pounds dirtier, every hour, because we cleaned up." *

continued on next page

Eliminating a Sore Spot for a Bank's Customers

Until recently, customers making consumer loans at North Carolina National Bank in Charlotte were confronted with a loan note agreement containing language such as:

"Debtor has good, indefeasible, marketable title thereto and will warrant and defend same against all claims. Debtor is not to, and will not attempt to, transfer, sell, or encumber the collateral or use it for hire or in violation of any statute or ordinance."

And so on and so on.

Now there are new forms containing this language:

"You guarantee you have good and clear title to the collateral and won't sell or dispose of it. You'll

pay taxes and insurance premiums on the collateral, keep it in good repair and free from all other liens or claims against it. You'll also let us inspect it at reasonable times. You'll notify us in writing if anything happens we should know about—for instance, major damage to the collateral."

North Carolina National Bank has been rewriting its bank forms, particularly those involving consumer transactions. Words like "debtor" and "secured party" have been replaced by "you" and "we."

Says Bank Chairman Luther H. Hodges, Jr.:

"We feel it is in the best interests of the bank and our customers to have easy-to-understand forms. We want our customers to understand what we expect from them and what they can expect from us. We also

want our employees to understand the forms they use so they can better serve customers."

Consumer reaction to the new forms has been extremely favorable, says Winton Poole, bank marketing executive.

Not only has the language been changed, but the color of the forms as well. They are printed on colored paper to avoid the intimidating look of white forms.

The bank spent nearly a year, working with language consultants and lawyers, making the changes. Among the principal consultants was Dr. Rudolph Flesch, author of "Why Johnny Can't Read" and creator of the widely used Flesch Readability Test.

"Even some of our customers who are lawyers have reacted very positively to the language changes," says Mr. Poole.

The decision to eliminate legal gobbledegook from the bank's forms climaxed an in-depth survey of customers to see how the bank could improve its services.

"We found very quickly that there was much consumer concern over not being able to read our forms," Mr. Poole says. "We want to give our customers a feeling that it's a little easier to do business with us. I think we have convinced them we are making it easier." •



Bank Chairman Luther H. Hodges, Jr., (right) and marketing executive Winton Poole go over simplified forms that are designed to make it easier for customers to understand bank loan contracts.

How to Get Employees to Do Their Best

Putting good people into the wrong jobs, then handling them incorrectly, is like throwing good bricks and mortar onto a vacant lot and expecting a building to materialize magically.

That's the view of William B. Arnold, president of a management consulting firm bearing his name in Denver. He says many companies needlessly misuse their human resources. This, he adds, can be as costly as wasting financial resources.

"Many managers fail to understand why they have so many people problems," says Mr. Arnold. "After

all, didn't the company make it a policy that everyone should be happy? The fine old slogan, 'People are our most important asset,' sounds great. It is meaningless, however, unless something is done to make it work."

William B. Arnold Associates, Inc., specializes in creating company programs that can be made more people-oriented and more effective at the same time.

"How many managers assign priority to people problems only after business objectives are achieved?" Mr. Arnold asks. "When times are tough, management tends to get tough with people. But managers who take this view are unlikely to get high productivity from their people.

Best results are obtained when a company is organized around the talents of its people and they are led—not pushed—into doing their best."

He defines human resources as the total people-management process: the selection, care, cultivation, and growth of good employees.

To companies which may be suffering from an "invisible profit drain" through failure to capitalize on their human resources, Mr. Arnold poses such questions as these:

Do your managers cultivate an environment in which people can grow, both personally and professionally?

Or are your managers concerned only with whether employees do their work well enough to keep their jobs? □

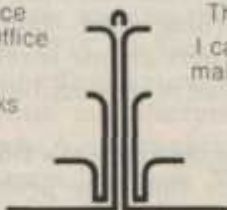
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BUSINESS: A LOOK AHEAD

Product Liability Claims— a Growing Business Problem

A Commerce Department report confirms what some business circles have been warning about—fantastic increases in the number of court claims involving product liability and in the size of product liability judgments.

The report, prepared by the department's Bureau of Domestic Commerce, notes that "the problems posed by product liability insurance appear at least as significant as the problems which have plagued medical malpractice insurance."

From 1965 to 1973, while prices in general were going up 60 percent, the average product liability judgment rose 686 percent, the report found—from \$11,644 to \$79,940. For every dollar paid in product liability insurance premiums these days, 30 cents is spent for legal defense by casualty companies, which forces them to raise premiums.

According to the "Journal of Insurance," a publication of the Insurance Information Institute, product liability cases were running at a rate of about 50,000 annually in the 1960's, jumped to about 500,000 a year in the early 1970's, and now are approaching the one million annual rate.

The Commerce Department study found that the upsurge in claims stems in part from recent court decisions that make it easier for consumers and employees to bring third-party suits against manufacturers and distributors for injuries suffered from alleged product deficiencies.

Major sufferers include manufacturers of equipment such as machine tools. Frequently, these manufacturers are sued, as third-party defendants, for injuries allegedly sustained from equipment that was produced years ago and may have been modified and resold.

Also severely affected are producers of other capital goods, industrial chemicals, and medical devices, and companies in the transportation field. The product liability problem, says the Commerce Department, is particularly acute for small businesses.

Small Business Committee Given More Power in Senate

Small business is going to have more direct clout in the Senate, now that the Select Committee on Small Business has been given limited authority to introduce legislation.

Normally, only permanent standing committees are authorized to introduce legislation; other committees, basically, are just investigatory. In 1975, the House made its small business panel a full-fledged standing committee.

The Senate, however, did not go that far. The Senate committee is authorized to introduce legislation pertaining only to the Small Business Administration, and the Senate will refer all matters that affect the operation of SBA to the committee.

In the past the committee has had to refer proposed legislation to the Committee on Banking, Housing, and Urban Affairs.

DOT Sees Limited Effect From Rail Service Cutback

A Department of Transportation study gives new ammunition to railroads which have been arguing for permission to drop service on uneconomic, light-density lines.

The study finds that in the 31 states outside the Northeast region, railroads could save \$150 million in annual operating costs if freed from maintaining service on such lines. The effect on most segments of the economy would be relatively minor, DOT adds.

DOT says the segment of the economy most heavily affected would be agriculture, since 14.4 percent of agricultural shipments by rail originate or terminate on light-density branch lines. Less than one percent of the nation's output in manufacturing, retailing, and mining would be affected, DOT adds.

The DOT study estimates 18 percent of rail mileage in the 31 states consists of potentially uneconomic light-density lines that account for only 2.4 percent of total carloads in those states.

SBA Wants More Banks to Lend to Small Firms

Aiming at easing the nation's unemployment situation, the Small Business Administration has launched a program calculated to stimulate the financial sector to supply more funds for small business expansion.

SBA Administrator Mitchell P. Kobelinski has announced one of his major goals is increasing by 25 percent the number of banks cooperating with his agency on loans. Presently, about 8,500 banks make SBA-guaranteed loans to small businesses.

For such banks, the SBA has a new priority service. The agency will provide two-day action on a request for a guarantee to a bank that takes a minimum of 20 percent of the loan and certifies the creditworthiness of the borrower. This plan would supplement but not replace the current guarantee program, in which a bank can take as little as ten percent of a loan, and in which certification of creditworthiness is implicit rather than explicit.

In another step, SBA now plans to allow banks to apply a fluctuating interest rate, on a quarterly basis, on guaranteed loans. This, says Mr. Kobelinski, should give banks more incentive to get into the program.

A New Relationship Between the White House and the Fed?

There may be less likelihood in the future of a President and the Federal Reserve Board being at cross-purposes on fiscal and monetary matters.

A bill that could reduce conflict between the chief executive and the Fed, without ending the Fed's independence, has passed the House with ease.

Under the bill, the terms of the chairman and vice chairman of the Federal Reserve Board would coincide with that of the President who appoints them. If a President dies or leaves office before his term is over, the terms of the Federal Reserve chairman and vice chairman would end in six months.

The Fed's chairman and vice chairman currently hold their titles for four-year periods at a time, but the periods do not necessarily coincide with the terms of the Presidents who name them to those posts. Like other members of the Federal Reserve Board, these officials are on the board by presidential appointment for 14 years.

If passed by the Senate and signed by the President, the legislation would formalize a requirement for quarterly congressional hearings on monetary policy, alternately held by the House and Senate banking committees. A featured witness at the sessions would be the Federal Reserve Board chairman, who would inform Congress of any changes in monetary policy.

Industry Makes Big Strides in Voluntary Energy Saving

Voluntary conservation of energy by American industry is a bright spot in an otherwise lackluster national effort to gain some measure of energy self-sufficiency.

Reports from 31 major industry groups participating in a voluntary conservation program show that industry is capable of frugal management of energy supplies without government interference, says Commerce Secretary Elliot L. Richardson. His department and the Federal Energy Administration are jointly responsible for gaining the support of industry groups participating in the program.

A report on the program notes most industries involved are working toward a 1980 goal of a 15 percent reduction from 1972 energy usage. The petroleum industry, according to figures submitted by trade associations, was two thirds along the way in the last half of 1975. Makers of flat glass reported a 12.2 percent efficiency increase by the start of this year. Computer manufacturers upped their energy efficiency by five percent in 1973, 27 percent in 1974, and 30 percent last year. Almost all industries have reported steadily increasing energy savings. Now, the Commerce Department is holding discussions with 20 additional industry groups.

A Full-Time Chief Scientist for the White House Again

There is now a spot for a full-time chief scientist in the White House again. This is the job that was abolished at the start of the second Nixon administration, much to the dismay of many in Congress, the scientific community, and industry.

During the past three years, the President has turned to the director of the National Science Foundation for needed scientific advice. Sentiment in Congress has been that the director should not have this extra duty.

After lengthy hearings, Congress finally has passed a bill to formalize the White House position. Prior scientific advisers were appointed administratively by the President. The President's choice for a new chief adviser must be approved by the Senate. The adviser is to be aided by four associates, all of whom also must be approved by the Senate.

In addition to counseling the President on scientific, engineering, and technological matters, the chief scientist and his associates will participate in the annual review of research and development budgets of all federal agencies. The scientific advisers will also prepare a five-year forecast of national needs in the science area and recommend where federal emphasis should be directed.

Starting a New Century With the Spirit of 1776

THE DECLARATION OF INDEPENDENCE sets forth the basic premise of a free society.

The premise: That governments derive their powers from the consent of the governed.

The founding fathers made it clear that our government should have only as much power as the people choose to delegate.

For most of our history, we lived by that premise. The people yielded authority to the central government reluctantly and in small measure.

Since the 1930's, however, there has been a vast shift of power to Washington. Today, the federal bureaucracy intrudes into nearly every area of our economic life.

Now is a good time to return to the principles of 1776.

Dr. Richard L. Lesher, president of the National Chamber, pointed out in an address at the business federation's 1976 annual meeting that America faces an epochal choice:

We can return to the concepts of freedom our forefathers envisioned, or we can continue on

our present course with all the risks it imposes.

"Humanity watches and waits, breathlessly, for our next step," said Dr. Lesher.

"But there is hope. For all our carelessness, we yet remain the longest enduring society of free men governing themselves without benefit of kings or dictators.

"And we are waking up. For the first time in our history, there is a consensus—and it is almost unanimous—that we have delegated to government more power than is wise, to do things for which it is ill-suited."

The task now, Dr. Lesher said, is to move from rhetoric to action. To make the transition back to a free society, he explained, we must:

"Rekindle an appreciation of freedom, private property, and individual incentives.

"Rebuild or remodel those institutions that don't serve us well.

"Commit ourselves to the continuation of our system, not only for our own benefit and our children's, but for all the children of the world."

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